## 1AC – Sectoral Bargaining

### Plan – 1AC

#### The United States federal government should inaugurate sectoral bargaining panels upon the request of either 5,000 workers or 10 percent of workers in a sector, with agreements subject upon ratification to mandatory contract extension on a worker’s request.

### Advantage 1 – Quarterly Capitalism – 1AC

#### Collapsing worker power has enabled financialization to hijack economic distribution and planning. This results in shareholder dominance that drives short-term, quarterly decisionmaking and hollows real production.

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A changed economic landscape for labour

In various ways, financialization has shifted power away from labour towards capital. One outcome of this has been the decline in the labour share. The labour share (sometimes called the wage share) is the amount of national income (gross domestic product, GDP) that goes to workers, either in wages or as social contributions such as pensions paid by employers. This is compared to the profit share (sometimes called the ‘capital share’), which includes profits made by employers (e.g. those paid out to shareholders) as well as other returns on capital, including those made through the ‘rent-seeking’ activities that are so central to financialization.

Labour shares began trending down in the 1980s across advanced capitalist economies, reaching their lowest level just prior to the global financial crisis of 2008, and in most countries have not recovered much since. The pattern in the US has been particularly marked, with a drop of over 10 per cent between 1970 and 2014.'” Although worker power is about much more than just wages, a decline in the wage share is a major indicator that things are not going well for workers. It’s a sign of structural inequality: while wealth owners see returns on their property or shares increase, those without such assets have less and less to go around.!®

The financialization of the ‘real economy’

Under financial capitalism the shops we buy clothes from, the cafés we buy coffee from or even the public services we use are increasingly tangled up with financial markets and motives. As we will endeavour to illus- trate in the following sections, financialization of these so-called ‘non-financial corporations’ has profoundly changed the terrain of workplace bargaining.

Shareholder supremacy

One of the financial motives that has increasingly penetrated non-financial firms is the fetishization of the share price and shareholder returns. A particular variation of the profit motive — the aggressive maxi- mization of short-term returns for shareholders — has become increasingly dominant since the 1980s.!? Under financialization, firms have shifted away from retaining corporate earnings and reinvesting them in the business (to grow productivity and increase future profits), towards a model of distributing corporate earnings to shareholders, often at the cost of downsizing the workforce or selling off assets.?°

At times this model has been aggressively imposed by shareholders themselves. A number of dramatic exam- ples in the 1990s resulted in shareholders deposing chief executive officers (CEOs) at General Motors (GM), IBM, American Express and Coca-Cola who were unwilling to comply with this mantra.\*! More often, however, CEOs are complicit in share-price prioritiza- tion. Increasingly, CEOs’ salaries are pegged to share prices, or they are rewarded with the option to buy equity themselves, giving them a very direct incentive to do whatever they can to ramp up the share price. This leads to absurd scenarios, such as Tim Steiner, boss of British online shopping company Ocado, pocketing a £54m bonus in 2019, despite the firm posting a bruising £214.5m loss, because the share price (on which his bonus is pegged) had increased.”?

A particularly cynical indicator of this new order is the practice of share buy-backs, where CEOs use profits to buy back their firm’s shares, increasing the share price and thereby their salaries. Between 2014 and 2016, American firms spent an astonishing £7 trillion on buy- backs, equivalent to half their profits.2? With millions of US workers living in poverty, those are profits that could have been spent on increasing wages, training or benefits. This marks a decisive shift in the relationship between industry and stock markets. While shareholders defend stock markets as providing industries with the capital they need in order to grow and invest, economist and former advisor to the UK government John Kay has found that, in both the US and the UK, stock markets no longer primarily act as a means of putting money into companies but rather a means of getting it out.\*\* This is literally the opposite of what the economic textbooks tell us stock markets are supposed to do.

This focus on short-term share prices undermines workers’ power in important ways. While managers have always had an interest in limiting the amount spent on wages, this has to be weighed up against retaining a skilled, dedicated workforce that can help build a long- term, profitable business. With CEO salaries linked to share prices, CEOs’ interests are more closely aligned with shareholders’ towards a ‘downsize and distribute’ model — downsizing the workforce and distributing profits to shareholders. The quintessential example of this was General Electric CEO Jack Welch, who became famous for a regime in which he sacked the bottom tenth of staff and the bottom tenth of management every year, no matter how good or bad the overall performance of the company.”°

Increasingly, the management of large companies has become dominated by accountants and MBA graduates with more expertise and interest in the bottom line than in the core activity of the company itself. The truth is that in the short term, this approach works; CEOs of the fifty US firms that laid off the most workers since the onset of the economic crisis took home 42 per cent more money than the average CEO.”°

With increasing privatization in the UK since the 1980s, the mantra of shareholder supremacy has also penetrated the delivery of public services. The now infamous outsourcing company Carillion had multiple contracts to deliver a raft of UK public services, includ- ing across prisons, hospitals and schools. Using a finance technique called ‘net present value’ Carillion was able to pay shareholders returns based on expected future cash- flows. Between 2012 and 2016 the company made a total profit of £669 million and paid out £371 million to shareholders. But in fact, they’d only generated £166.4 million in cash from normal operating activities. That means that, using creative accounting, they paid share- holders more than twice the amount they actually made. These practices ultimately hollowed out what was left of any profitable business, until Carillion collapsed in one of the largest liquidations in history, losing thousands of jobs and costing the taxpayer £150 million.”

Making money without making things

An increasing number of non-financial corporations make money less through profiting from productive activities than through financial rent-seeking. Often this starts with a company establishing a parallel financial branch offering customers credit in order to buy their products. Soon these financial activities extend into those entirely unrelated to the company’s ‘core’ indus- trial activity.”°

These financial activities aren’t sideshows; they are widespread and substantial. In 2003 GM and Ford — supposedly two examples of the strength of US manufacturing — registered nearly all their profit from consumer leasing arrangements, with the bit of their business that actually makes cars barely breaking even.\*? One Wall Street analyst estimates that in 2000 almost 40 per cent of the earnings of the 500 highest-earning US companies were from lending, trading, venture invest- ments and other financial activities, and a third of this was by non-financial corporations.°°

This spells a massive shift in the relative power of capital and labour. Workers only have the power to demand higher wages or better conditions if employ- ers need them to work in order to profit. If that’s no longer true, this undermines the very basis of labour’s structural power. Financial activity effectively offers an ‘exit option’ for capital in negotiations with workers — a way to make money that bypasses the need to invest in either jobs or wages.

American business journalist Rana Forochat describes this dynamic in the US pharmaceuticals industry — ‘perhaps the most financialized of all’ - which cut 150,000 jobs between 2008 and 2016 to focus on ‘out- sourcing, tax optimisation, inversions and “creative” accounting’, in ways that, as Foroohar puts it, ‘make them look suspiciously like portfolio management com- panies’.\*! Airlines too, she points out, ‘often make more money from hedging on oil prices than selling seats’. There’s good evidence that increased financial activ- ity of this sort can provide ‘exit options’ ‘for firms and have had a real impact on labour’s bargaining power. One study, looking at non-financial US corporations between 1970 and 2008, found that the more a company depended on financial activities, the smaller the share of their income they paid to workers. This accounted for more than half of the decline in the national labour share — a massive impact on workers’ lives. The financializa- tion of non-financial corporations is also associated with bigger salaries for executives, and increased inequality in wages.°?

Rather than using finance to boost the productive business of a company, financialization often undermines the viability of the whole operation. General Electric (GE) is a classic example of the financialized firm. Its financial arm, GE Capital, was set up to help the company’s customers buy its goods using tax- efficient leaseback arrangements, and soon expanded into consumer credit. By 2003, 42 per cent of GE’s profits were generated by GE Capital.\*? However, it soon became so big (the US’s seventh largest bank) that it was subjected to tougher federal regulation and, as the economy struggled in the aftermath of the 2008 recession, investors became nervous about its volatil- ity. By 2015, GE Capital had become a liability and GE sold it off. GE Capital’s failure has contributed to ongoing challenges with the company, and once again it’s their ‘long-suffering’ workers who lost out, with 20,000 workers seeing a pension freeze from 2020.%4 Enron followed a similar trajectory, becoming heavily financialized and finally going bankrupt in 2001, leav- ing 4,000 workers without jobs.\*°

Indebted on purpose

High levels of corporate debt occur in almost every story of ill-fated corporate financialization. But in many cases, companies aren’t borrowing because of difficul- ties with their core business. Indebtedness has become a deliberate strategy used by companies, borrowing to invest in financial speculation or share buybacks, or to avoid taxes.

The International Monetary Fund (IMF) estimates that, as of 2019, there was almost $19 trillion of ‘corpo- rate debt at risk’ globally — that is, debt owed by firms unable to cover interest expenses, let alone pay back the actual debt — with US and UK companies some of the most at risk.°°

The cost of servicing these debts is yet another way in which money moves away from productive activ- ity and workers, and towards the finance sector. With financial deregulation, these payments have increased substantially. In the US, payments from non-financial corporations to financial markets doubled from the mid- 1980s to the late 1990s.°” Although central banks have reduced their ‘base’ interest rates since 2008, this reduc- tion hasn’t necessarily been reflected in the real interest rates paid by businesses, as banks often responded to financial uncertainty with higher risk premiums.\*\* These costs are having a very real impact on workers: higher interest rates tend to increase the profit share at the expense of the labour share,\*? and the amount paid by non-financial corporations to financial corporations is one of the most significant factors in reducing the wage share across OECD countries.\*°

It would be a mistake to see company indebtedness as a case of ‘good’ non-financial companies being fleeced by ‘bad’ financiers. Rather, the struggle is between capi- tal and the executives whose interests align with it on the one hand, and workers on the other. For example, there is evidence that companies use debt to protect the wealth of their own shareholders from the grasp of their workforce. An indebted company can more easily claim it’s unable to pay workers more during wage- bargaining. One study found that firms facing a greater threat of unionization choose a higher debt-to-equity ratio, suggesting indebtedness is intentionally used as a union avoidance strategy.\*!

As we saw with Tops Markets, excessive indebtedness is a favourite tactic of private equity firms, which can load companies up with debt and then don’t even need to stick around for the consequences. Toys ‘R’ Us and Safeway are two more examples that have gone the way of Tops Friendly Markets, with workers bearing the brunt of the pain.\*? As one local union president, Mark Federici, put it, their model is to ‘borrow other people’s money to make an acquisition and strip the company you acquire of its assets to pay off your debt, while charging unconscionable, undeserved manage- ment fees’.\*%

Private equity firms are particularly pernicious when it comes to intentional indebtedness. In the words of Philip Jennings, general secretary of the UNI Global Union, their philosophy is ‘buy it, strip it and flip it... It’s all about value extraction and not value creation.’\*4 Because these firms aren’t publicly listed, they don’t have to publish information such as annual accounts, leaving unions at a distinct disadvantage in negotia- tions, where knowledge is often power.\*> While private equity professionals are extremely hostile to workers trying to protect their wages, their own salaries are astronomical — in 2018, ‘base’ salaries of managing partners in the UK were almost £800k, with bonuses of over a million.\*°

The public sector is also affected by indebtedness under financialization, although the dynamics are dif- ferent. In 2009, Newham council (a branch of UK local government) in East London took out six loans worth £150m. Rather than borrowing from the government, Newham took a gamble, taking out ‘inverse floater lender option borrower option (LOBO) loans’ from the Royal Bank of Scotland (RBS) and Barclays Bank.

The conditions were that the council would pay a low rate as long as real interest rates rose, and vice versa. When interest rates fell to an historic low post-crash, Newham found itself straddled with a colossal debt burden — at one point paying the equivalent of 110 per cent of its entire council tax income just servicing interest on its debts.\*” During this period, austerity was biting, and local residents and local government workers were being heavily squeezed in what was already one of the most deprived councils in England. Newham is not alone — across Britain, councils owe £11 billion in LOBO loans. When local authorities get sucked into financial gambling and lose, it’s tax payers and public sector workers who pay the price.

Outsourcing and subcontracting

The doctrine of maximizing shareholder value has incentivized CEOs to maintain the lightest possible base of assets, including labour. This has involved the widespread use of contractors for manufacturing and distribution — a practice that has come to be called Nikefication, in honour of the firm that pioneered this approach.\*®

Many of the most powerful corporations today do their best to minimize their workforce, maintaining a layer of top management and then outsourcing and subcontracting the rest. In IT, manufacturing, sales, research, cleaning and security services, there are few job functions immune to outsourcing today. Outsourced services can then also be further outsourced or subcon- tracted in multiple layers, extending beyond borders to overseas workers.

Multiple layers of subcontracting make it hard to bargain for increased wages because your direct employer might only have tiny profit margins. The bulk of profits are syphoned off as you move up the layers of subcon- tractors. In order to speak to someone who has any real ability to pay you more you have to go straight to the top. But following the money may only get you as far as an obscure company name on a tax haven register, and even if you are able to identify the parent company, your specific group of workers are unlikely to have much sway — after all, if wages push up the costs of that contract, the company can always go with another. Outsourcing breaks up and stratifies workforces, making the formation of a critical mass more difficult.

One of the first examples of workers getting to grips with this challenge was the US Justice for Janitors cam- paign. Before the 1980s, the building services industry in Los Angeles was largely unionized. Business owners hired and managed their own janitors, making it fairly simple for unions to sign contracts with the manager of a particular building. But with the 1980s, building owners started hiring contractors for janitorial services for their buildings. This presented a massive challenge to workers — if they were successful in pressuring one contractor to sign a union contract, the building owner could simply end the contract with that company and hire a non-unionized contractor instead. Looking back, union organizers Stephen Lerner and Jono Shaffer reflected how the campaign ‘exposed an economy - that was increasingly using sub-contracting and other schemes to separate and isolate workers from the corpo- rations and companies that were actually in control of their wages, benefits and overall working conditions’.\* The janitors were ultimately successful (as discussed in chapter 3), but the use of subcontracting presented mas- sive hardships in the meantime for an already low-paid and largely migrant workforce.°?

Subcontracting and outsourcing is a key way in which financial interests wheedle their way into public finances. In the UK in the 1990s, a series of public-private partnership agreements began outsourc- ing many state services, and by 2007, 20 per cent of UK public expenditure was on outsourced services.°' As these were privatized, many were floated on the London Stock Exchange, effectively embroiling great swathes of UK public services to London’s financial sector. While private shareholders benefit, profits are made by squeezing workers, who, unlike their publicly employed colleagues, don’t benefit from decades of public sector union negotiations and therefore have lower pay, worse conditions and fewer routes for progression.°\* For example, cleaners, porters and catering staff at St Mary’s Hospital in London, who were outsourced through global company Sodexo, had pay and conditions sub- stantially worse than colleagues employed directly by the NHS. During a campaign and strike, one of their unions, United Voices of the World, identified multiple cases of mismanagement and poor treatment, saying that ‘as a union we have never seen such a large quantity of cases of such severe nature on any one contract’.°?

Under financial capitalism, the odds are against workers, whether organized or not. In an attempt to enthuse a struggling labour movement, union advocates declare that ‘if workers refuse to work, the bosses can’t produce anything ... that’s the power of a strike’.°4 And yet for workers at Tops Markets, Carillion or GE, it doesn’t always feel like that. Far from being the main cog in a profit-making machine, workers increasingly find themselves side-lined by company owners who have worked out increasingly effective ways to make money while being much less beholden to workers on the ground. Workers in the private sector are most directly affected. But with increased outsourcing and the financialization of the public sector, no workers are immune.

Wealth out of the reach of workers

The financialization of firms has redirected money away from workers and towards directors and shareholders. But even if workers were able to tackle these issues firm by firm, they would still be losing out overall. That’s because at an economy-wide level, capital is flowing towards rent-seeking (rather than productive) sectors. One of the most insightful studies on these dynamics comes from within the labour movement itself. After two decades organizing in workplace struggles in the US and Europe, union researcher John Burant was struck by how hard it was for unions to make any serious headway in reducing overall economic inequality. To understand what was going on, he zoomed out and asked where the big profits are actually being generated in the US economy. His study had a simple finding: while workers are concentrated in sectors that generate little aggregate profit, such as retail, care and education, profits are concentrated in sectors with relatively few employees.°\* This trend has increased dramatically over recent decades. Top of the list of sectors with high prof- its are, unsurprisingly, finance and real estate (property and housing). This creates what Burant calls a ‘sectoral trap’. Unions, by virtue of the fact they are organiza- tions of workers, operate in sectors where workers are, but these are the sectors which lay claim to the least substantial portion of profits.

High levels of self-employment in the UK make calculating this trend more complicated, but the data available suggests a similar picture. As a rule, sectors with relatively low rates of employment, such as finance and insurance, have high and increasing profit margins, while those with high rates of employment, such as transportation, hotels and restaurants, have low and decreasing profit margins.°° ,

At the centre of this story is the massive increase in the size and profitability of the financial sector. Between 1997 and 2010, the increase in the share of financial and insurance services in the UK economy was greater than the increase in the share of any other sector apart from government.°’ More recently, while overall economic growth has been sluggish, the growth that has occurred has been led by business services and finance.°® This increase in the size and profitability of the finance sector has been a major cause of increased economic inequality. It has been one of the main causes of the decline in the labour share, and even within that share, huge increases in income for top earners in the finance sector have left even less for the other 99 per cent.°?

The ‘sectoral trap’ has profound implications for labour movement strategy. Unions can certainly increase wages by organizing in high-employment, low-profit sectors, and these gains would create real improvements in people’s lives now. But there will be a limit to the extent to which this work can stem overall inequalities of money and power. Even if unions were successful in achieving a minimum wage of $15 an hour (a current goal for US unions), the reduction in overall inequality would be less substantial than we might think, because so much of the increase in inequality is due to balloon- ing wealth at the top. It would amount, Burant argues, to at most ‘a minor challenge to the status of the 1%.’®° If the fundamental aim of the labour movement is to redistribute power towards workers, rather than just increase wages, then its current organizing model isn’t hitting capital where it hurts.

Finance profiting from workers in other ways

Not only is finance undermining union power for workers in the US and UK, but it is also exploiting them more intensively in other ways. It’s not that the rich no longer rely on workers for their wealth: they do. Rather, what has changed is that methods of extracting that wealth are shifting. While capitalism has always been based on capital owners profiting from the labour of workers, the owners increasingly also do so through extracting economic rent from those same workers — through high housing rents, interest payments on debt, insurance products to cover the absence of benefits and protections, and extracting taxes through financialized public services.

Personal debt plays a particularly important role.

The level of debt that people are driven to take on in order to pay their rent, buy groceries or cover educa- tion or healthcare costs has ballooned, particularly since the early 2000s. Despite a short dip after the financial crisis, debt levels in the US and the UK are now both higher than their pre-2008 peak.\*! Debt repayments are one of the most directly regressive elements of modern economies, providing a mechanism by which money is syphoned from the poor to the rich. In the UK, 90 per cent of households were contributors to banks. Only the 10 per cent of households with the highest incomes were net beneficiaries of interest paid by the rest.° This papering over the cracks in household finances by borrowing has come to be known as ‘debtfare’.°?

Susanne Soederberg argues that debt is critical to the proliferation of poor employment practices and work insecurity because people who are stuck paying back high-interest loans feel they have to take work even if it is low-paid and insecure. People may-be deterred from taking industrial action, particularly long-term action that results in sustained loss of wages.°\* Such debtors are further exploited by (and provide ample demand for) payday loans, pawn shops and expensive credit. This exploitation was laid bare recently, in a ‘rare attack of honesty’, by payday lenders in Arizona who explained they were opposing minimum wage legislation because if people had enough money, they wouldn’t need short- term loans.°°

In a parallel process, a heavily financialized housing system has increased both rents and house prices to an incredibly high level. As house prices are determined more by the role of property as a financial asset than by people’s demand for places to live, housing costs have been increasing much faster than wages.°° In this way, personal debt and high housing costs benefit capital twice over: firstly directly through interest payments and rent, and secondly by keeping workers financially insecure, weakening their power in the workplace.

Even within the workplace, financialization has found new ways to make money from workers through financial means. Take Uber as an example. Uber’s entire business model relies on miscategorizing their drivers as ‘self-employed’ workers, shifting risk from the employer to the worker. Unionized drivers on both sides of the Atlantic have recently been making headlines, object- ing to this exploitation, including financial exploitation. Models like Uber that are reliant on deregulated labour also rely on deregulated capital. Drivers can only work if they can buy their own car and insurance, which many can’t afford — 33 per cent of drivers in the District of Columbia, for example, had to take out loans.°” Uber itself has spotted the potential for profit, and now pro- vides insurance and loan services directly, negotiating bulk discounts, selling them on to drivers at a higher cost and pocketing the difference.®\* As financial commentator Izabella Kaminska points out, ‘It’s literally the equivalent of a company you work for selling you the equipment you need to do your job at a rate that far exceeds their sourcing cost (because they were able to negotiate in bulk on your collective behalf while you could not).’°? Under political pressure from a UK legal case, won in 2016, which ruled that Uber drivers should be counted as workers, and which Uber is appealing, the company has set up a deal with AXA Insurance to provide loss-of- earnings payments for drivers who are sick or need time off for parental duties.’”? However, this also means that organized drivers would have to face an insurance firm, and not their de facto employer, to bargain for better terms or settle disputes. Even basic employment rights like sick pay, it seems, are becoming financialized. Just like the case of corporations using ‘dead peasants insurance’ to offset their labour costs, these examples demonstrate how, under financialization, company owners treat workers as another asset to speculate on. The owners profit from their workers’ labour and also profit indirectly, by creating a captive market (their workforce) whose needs they control and whom they can sell services to, or take out financial products on behalf of.

One of the implications of the centrality of rent-seeking in our economies is the increasing importance of wealth over income in determining one’s life chances. Even a household with two earners on reasonable salaries is no longer able to save enough for a deposit to purchase a home in many areas of the UK and US. Whether or not you can get on the ‘housing ladder’ often depends more on family wealth (often inherited) than on earned income. In the UK, the average contribution from living parents is now a staggering £24,100,”! and those without access to a ‘bank of mum and dad’ are stuck paying soaring rents to enriched landlords, entrenching inequality between families over generations.

By making it easier to make money from having money, financialization exacerbates wealth inequality. In the US, average household wealth increased from 250 per cent of income in 1970 to 400 per cent in 2015.” The new wealth was not accumulated by traditional savings. In fact, savings rates have generally decreased since the 1970s. Rather, it was accumulated through capital gains in the stock and housing markets. Meanwhile in the UK, one in five baby boomers are millionaires, mostly through increases in house prices.”

At the same time, those without the savings to get them through unexpected events, such as a broken car or a family funeral, are more likely to end up in spiralling personal debt. While the lottery of birth has always determined much of people’s life chances under capitalism, financialization inflates its importance. This is reflected in the substantial decline in ‘social mobility’ in the UK in the second half of the twentieth-century.”4 While much is made of high income inequality in the US and the UK, wealth inequality is in fact much more extreme, and has been increasing more quickly in recent decades.”

Finance undermines democracy

Financialization has also fuelled a level of economic inequality that undermines the democratic function- ing of society. Under globalized financial capitalism, the finance sector and wealthy company owners hold massive sway over national policy making. By threaten- ing ‘capital strikes’ or ‘capital flights’ - in other words, taking their money and leaving — they wield serious power.

Given the damage they do, would this matter? The problem is that, in the US and the UK, financial activity not only leads economic growth but is also a major export. This matters because we buy a lot more from other countries than we sell to them. This is a major economic weakness and any reduction in financial exports would weaken our economies still further. These dynamics are especially acute in the UK, where financial services make up a particularly large portion of exports. Furthermore, although there is a deficit in our trade, national accounts still have to balance. This means we essentially borrow the shortfall from international finan- ciers in the form of ‘foreign direct investment’ to the US and UK, making us reliant on financiers to balance up.” This would put any government serious about curb- ing the power of finance in a major bind. Transitioning away from financialization cannot be done overnight and a sudden exodus of domestic and foreign finance capital, deliberately delivered as a political punishment, would be a substantial threat to economic stability. And it’s not an empty threat — capital flight has played a role in bringing down radical left governments, such as Syriza in Greece.’’

Like hostages suffering Stockholm syndrome, we find ourselves beholden to finance just as it denies us free- dom and independence.

Globalization, deindustrialization and the shift to service sectors

Financialization has gone hand in hand with globali- zation and deindustrialization. These trends have been mutually reinforcing: as globalization made it less profitable to manufacture goods domestically, capital was directed more towards rent-seeking than domestic manufacturing, and, starved of investment, the British and American industrial base weakened still further. These trends have occurred at the firm level} but also on an economy-wide level — one indicator of which is the significant reduction in the amount of bank credit going to non-financial firms since the 1990s.78

However, while manufacturing has declined (employ- ing 5.7 million workers in 1981 in the UK compared to just 2.7 million in 2018),” this has been compensated for by an increase in the service sector, which has bal- looned in the US and the UK, propping up employment rates.

In many ways, workers in the service sector are less directly affected by financialization than those in manu- facturing jobs, and it’s no surprise that, particularly in the US, some of the most exciting union activity has been taking place in often woman-dominated service industries.8° However, the problem is that this service sector is dominated on the one hand by finance and business services — generally highly paid workers who are unlikely to become agitators against their own sectors — and on the other by low-paid industries such as care and retail. Some of these latter roles have a somewhat reduced bargaining power anyway because workers are considered low-skilled and, in our jobs market, therefore easy to replace. As we go on to discuss in later chapters, these are important areas for unions to focus on, particularly as they are often dominated by female workers, immigrants and people of colour who face multiple oppressions. But they are also industries with small profit margins, so that even when union wins are able to get a better deal for workers, there’s a limit to how much.

All this raises yet another question. If financial capitalism is so bad at making things in the real economy, how come we all have so much stuff? The answer, of course, is that it’s being produced in other countries, often in much worse labour conditions than those in the US and UK. This has happened through a combi- nation of offshoring and international trade, but one way or another, much of the profit from this labour exploitation flows back to transnational corporations - headquartered in wealthy nations.®! This labour exploi- tation is increasingly being resisted by large movements of organized labour, with mass recruitment and strikes across industrializing countries such as South Korea, Nigeria, South Africa and Brazil since the mid-1990s.\*?

Change is coming

Understanding how financialization weakens workers and unions is the easy bit. Working out what to do about it is much harder. Today’s unions — built for industrial capitalism — are currently struggling to cut through in a finance-driven economy.The only way to tackle financialization is for unions themselves to get ahead of the curve — to proactively help to build a new economy as well as resisting the injustices of the existing one. This is the topic of the next three chapters.

However, as unions develop strategies to tackle finan- cial capitalism, they must do so in a way that takes into account the interconnected challenges of climate change and slowing global growth. A swelling international movement of climate strikers and protesters, backed by a number of unions, has pushed climate change up the political agenda and is setting a new course for militant action against the governments and business sponsoring the fossil-fuel economy. Climate change requires a scale of mobilization that neither the UK nor US has before seen in peace time, or perhaps ever.

Coming to terms with ecological crisis — both the tan- gible impacts of fires, floods and droughts, and the work needed to decarbonize and undertake massive habitat restoration — will be a defining issue facing unions in the coming decades. So far, the response has been fraught with tension. The aim of protecting the jobs of workers in carbon-heavy industries like fossil fuel and air trans- port has been put at odds with the broader interests of workers across the globe, and in particular the Global South, who will undoubtedly suffer the most if rapid solutions to the crisis are not found.

Unions are also likely to have another set of dynamics to reckon with — the limits of economic growth. Climate change is largely the result of ballooning consumption and growth in the Global North, and there is so far little evidence that such growth can continue alongside an absolute reduction in carbon emissions and revers- ing ecological degradation.\*? With an economic model reliant on growth, it’s unlikely that political leaders will take the leap to deliberately pursue a low or no-growth economy as part of a green transition plan. But, whether planned for or not, growth has significantly slowed across advanced capitalist countries since the financial crash, and there are limited prospects for its return.

Worryingly, political economist Beth Stratford has argued that low levels of growth are likely to result in an intensity of the kinds of rent-seeking we’ve discussed above.\*\* Financial elites are used to high returns on their investments, but this can only happen consistently in an economy that’s growing. The closer we get to zero growth, the closer we get to a zero-sum game when it comes to consumption. If production and consumption stop growing, then when some people consume more, other people have to consume less. If owners of capital can’t increase their wealth by making and consum- ing more stuff, attention will turn even more towards making claims over the spoils from existing production and assets.

In practice, this might mean more land- and resource- grabbing, aggressive use of intellectual property and monopoly powers to block competition, and pressure to privatize public and common infrastructures. Those who already have access to assets are likely to intensify their rent-seeking, unless they are stopped.

2 Understanding and rebuilding union power

On 12 December 2019 Britain voted for another five years of Conservative rule, with one of Labour’s most crushing defeats of a generation. The Labour vote across the ‘red wall’ — a strip of post-industrial con- stituencies in the North of England — finally crumbled, after years of decline. Following the defeat, Twitter was awash with shrill recriminations, with commentators blaming the party’s Brexit strategy, the leader’s style or a biased press. But beyond the hot takes, a deeper lesson is emerging, one that requires looking back not weeks or months, but decades. The recent defeat of the Labour Party must be understood in the context of a longer defeat of organized labour as a presence in workplaces, communities and politics.

Across the ‘red wall’, as well as in many other parts of the UK and the US, the mines, manufacturing plants and shipbuilding yards that once anchored the local economies have closed. Public services like hospitals, buses and schools have faced crippling funding cuts, privatization and closure. Successive Conservative and Labour governments have robbed many communities of their identity and purpose, replacing them with Amazon warehouses, call centres, precarious contracts and dis- tant bosses.

With the loss of these industries, many of the cul- tures and institutions of the labour movement have also been lost. Self-organized mutual aid and working men’s clubs, local newspapers and, crucially, trade unions have withdrawn, died or dwindled to irrelevance. Meanwhile many migrants and working-class people of colour, who have been either ignored or aggressively excluded from these institutions, have watched the Labour Party fuel anti-Muslim sentiment in the wake of 9/11 and, along with some union leaders, back anti-immigration policies since.

In the US, too, hopes for a democratic socialist revival will have to wait at least another term. Bernie Sanders, now out of the running, campaigned with an economic programme similar to that of the UK Labour Party under Jeremy Corbyn, with labour and union rights centre stage. The programme promised to involve unions in the setting of minimum standards across whole indus- tries, not just employer by employer.'! Akin to models ‘in operation in many European countries, ‘sectoral collective bargaining’, which agrees terms and conditions across a whole sector supported by legislation, would have marked a huge new power for unions.

Labour’s plans — now shelved as the party endures five years in opposition — also detailed a model for rebuild- ing union power via legislative means. Plans proposed new ‘Sectoral Employment Commissions’ and wage councils which would set minimum terms for workers across whole industries, prioritizing care and gig economy sectors where union membership is low and precarious working conditions are rife.\* As the COVID- 19 pandemic unfolds, these shelved policies represent a huge missed opportunity to show respect for and shore up the livelihoods of the most precarious workers on whom economies rely. It is shameful that it has taken such grave circumstances to force governments to recog- nize the huge economic and societal contribution these workers make. The overnight appreciation of the role of carers, supermarket cashiers, refuse workers, driv- ers and couriers by governments under Boris Johnson and Donald Trump should not be misrecognized as an ideological shift. Until those in power act to radically improve the material conditions of those workers, their rhetorical appreciation has little weight.

Labour’s proposals to boost not just the material con- ditions of these workers, but also their voice and power, through sectoral collective bargaining were designed with the Trades Union Congress (TUC, the national union confederation), with widespread support from the union movement. With diminishing membership and industrial strength, they couldn’t afford to ignore such chances. But most knew that these reforms were not just a long shot politically, but if won, would mark the start of a battle, not the end.

The challenge: empowering unions to be a force against finance

The transatlantic revival of support for an institutional role for unions in shaping the economy is significant. It formed a key part of emergent political projects that sought to replace neoliberalism — the dogma that has enabled organized finance to rule — with a system that puts democracy at the centre of economic planning.

This is a much bigger ambition than regulating finance alone. Since the financial crash, progressive policy wonks and economists have called for tighter financial regulation, but with little progress so far. There is no shortage of good ideas — including introducing taxes to slow down financial activity or reduce its profitability, preventing finance from moving across national bor- ders, or waging war on tax avoidance. What’s lacking is the power to usher them in. While these policies would temper finance and rebalance the economy in favour of labour, they will remain on the shelf unless a movement is built that can elect and defend a government willing to make them happen.

Even with a genuinely progressive political party in power — and this is the crux — waging a policy war on finance and promoting a greater role for unions will be incredibly hard. Any government serious about curb- ing the power of major capital owners can expect a strong counter-attack, including coordinated capital strikes and an entrenched network of revolving doors as people move between politics, government and the private sector, ready to scupper reforms at every turn.? Regulation that reduces the power of elites is only as powerful as the movement that can defend and maintain it.

Unions are essential to the type of strong, genuinely democratic socialism that is capable of tempering finance in this way. As we are learning in the UK, they are a precondition for this type of political party to secure and maintain power in government. But this presents a conundrum: as governments which are actively hostile to unions settle down for more years in office, how can the movement rebuild enough strength to usher in something new?

What is union power?

We always focus on what’s the percentage of people in unions, and what the percentage of coverage is — without really thinking about where our power lies and who our target is. Which employers, which industries? Where do we have power and where do we need to build it?

Andrew Towers, head of political strategy, Communication Workers Union\*

It’s worth pausing to talk about what we mean by union power. To be an effective vehicle for the pursuit of economic and political change, unions need to build and exercise collective power. Their ability to do so effectively is based on a number of conditions. This includes organizational capacity — whether a union is able to build the fundamental relationships and identify leaders that enable them to. mobilize a large enough base of people to take effective collective action.’ For this, leadership, organizing strategy and resources matter, and these can be thought of as some of the major ‘internal’ conditions that determine a union’s ability to exercise power. Without organizational power, all other powers are fairly meaningless.

But other conditions are also crucial in determining the success of union actions. ‘Discursive power’ is the extent to which workers are able to produce collective identities, legitimate their claims morally and symboli- cally, and challenge dominant narratives. It is crucial both for building solidarity internally, promoting suf- ficient militancy among the membership to take action, and for winning the arguments externally.®

Structural power is the objective, material power of workers.’ The critical structural power that underpins unions is that of withdrawing labour — going on strike — and it is a right that has been hard won in capitalist economies. Under a wage-capital system, withholding your labour is arguably the only mechanism outside of statutory regulation by which employers can be held to account. It is the fundamental act of economic disrup- tion by workers, and where it is properly enshrined as a right, it functions as a potential as much as it does an action.

Facilitating strike action, or at least enabling its potential, is the foundation of ‘industrial unionism’, which recognizes the collective labour of workers as the primary source of profit-making in a company or industry.® This is in contrast to ‘craft unions’, which base their structural power on maintaining standards across a particular skill, and preventing undercutting by cheaper competitors by negotiating collectively over the rates of pay for their products.” Most unions today include a combination of these traditions.

In the previous chapter we discussed how financializa- tion is undermining the organizing and structural power of unions. As debt-fuelled companies race each other to the bottom on worker’s rights, and capital owners amass huge amounts of wealth in ways that sidestep labour, the potential for economic disruption workers collectively wield is dampened and opportunities to deploy it are reduced.

But other forms of union power have also been undermined during the past forty years of neoliberalism. The values of individualism and private interests have won out over those of welfare in economic decision- making. We’re in an age of insurance, landlordism and personal debt, chipping away at the discursive power of trade unionism, based on solidarity and collective aid. Last, there is institutional power — the extent to which labour law and institutions are on the side of workers, including the incorporation of past collective wins into economic programmes and deals made between unions and the state. One celebrated example of this is the establishment of the British welfare state, which was consolidated by the political wing of the unions, the Labour Party, and plays a continued role in support- ing workers to have a basic level of economic security, underpinning their structural power in the economy. Today, the recent popular surge around democratic socialist movements in the US and the UK has prised open a discussion on the role of public policy in rebuild- ing the institutional power of unions.

In the following sections we look at how the institu- tional power of UK and US unions over the last forty years has been eroded, and how this changes the land- scape for union renewal. We ask what the progressive political projects of today can learn from the past — as well as from continental Europe, where unions have been particularly embedded in institutional decision- making, both historically and today.

Looking back: the rise and decline of union power

Industrial unions were built in the late nineteenth cen- tury and the early twentieth century across Europe and the US under the explosion of the factory system.!° Their bargaining strength was based on their capacity to unite different groups of workers within the same company, sector or location, underpinned by the material power to go on strike.'! Responding to the vast growth in the scale of industry and the formation of new cities, these unions became mass membership bodies including women, unskilled and semi-skilled workers.”

A defining moment in this history was the growth of ‘new’ unions in Britain between 1888 and 1892, which built power and membership through mass strikes, dou- bling union membership in just a few years.!° Unlike craft unions, which relied for their power on the scarcity of labour, these unions drew their strength from num- bers,!\* with tactics including mass meetings, workplace stewards, community agitation and street stalls. They adopted broad socialist goals, aiming to assert the inter- - ests of labour as a class, against exploitation by the elites.)

In the US, the traditions of craft unionism had never been as strong. Just as in the UK, the large increase in demand for manual labourers to operate machinery at the end of the nineteenth century saw union member- ship among unskilled workers soar.'° Large industrial unions of these growing workforces emerged, which confederated across the country.'”

The ‘golden age’ of union power

In the first half of the twentieth century, the union movements on both sides of the Atlantic amassed great political and industrial power. Their strength during this period was both the result - and also part of the cause — of the social democratic consensus that came to characterize the era, when a new type of collaboration between labour, capital and the state emerged.!® In the US, the New Deals of the 1930s, developed in response to the Great Depression, had brought tremendous gains for labour, with major pieces of legislation requiring businesses to bargain in good faith with unions.!? In the UK, as part of the ‘post- war compromise’ following the Second World War, governments nationalized key industries, introduced a generous welfare state and passed legislation that pro- tected workers, whilst reigning in finance. Employer practice was regulated through wage councils, which involved union sd ab and a raft of sectoral union agreements.”°

As the economies and bncines confidence grew, employers began to respond to union demands with higher wages and better working conditions. Supported by sectoral bargaining agreements, pay rates tended to become consistent within a sector and so not an area of competition between employers, who therefore had time and resources to focus on other elements of their operations.?!

The results by the 1950s and 1960s were dramatic. The period saw unprecedented levels of economic growth on both sides of the Atlantic, relatively low economic inequality (though deep gender and racial inequalities remained), low unemployment, decreasing working hours and a steadily growing labour share.?? By the late 1970s half the UK working population were in unions and over 80 per cent were covered by collective agree- ments. At this time in the US 20 per cent of workers were unionized, following a peak in the 1950s. Growth was partly enabled by the prevalent Fordist regime of the era, which produced large, hierarchically organized firms in which unions thrived.\*\* The develop- ment of mass production based on task fragmentation, known as ‘Taylorism’, brought about tremendous gains in productivity, which enabled the real incomes of workers to rise and working hours to decline, while capital owners also saw large increases in profits. Not only did Fordism involve a major reordering of produc- tion techniques, it also saw the birth of a new type of relationship between bosses and workers, with increased managerial control of workplace practices. In this new model it became common for union officials to play a central and formalized role in setting standards in agree- ment with employers.\*\*

Unions during this period had both government sup- port and high levels of membership, providing a major bulwark against the unlimited prerogatives of business. Union leaders built their reputations on the security that this institutional power offered to workers: rising wages and policies that promised reliable, continuous employment.\*° This often came at the cost of broader working-class aims of equal pay, racial justice, and the expansion of the union movement at large beyond white, male, industrial sectors.\*”

However, this institutional power was not to last.

The attack on unions

The 1980s ushered in a new climate for unions. When the post-war economic consensus faltered with a series of global economic shocks throughout the 1970s, a new, neoliberal economic ideology was waiting in the wings. Just as neoliberalism set capital free through financiali- zation, it simultaneously reduced the power of labour through a dramatic overhaul of labour market regula- tions. Despite claiming an ideological commitment to deregulation, neoliberal governments in the US and UK created a host of new and complex regulations for unions. The UK’s legislative attack started in 1979 under Thatcher and continued through no fewer than ten major legislative acts aimed at fragmenting and, ulti- mately, criminalizing some union activities. There were two main thrusts to the anti-union agenda. Firstly, legis- lation chipped away at the ability of strikers to mobilize community solidarity.\*\* During the closure of many coal mines in the 1980s, miners successfully mobilized mass, community pickets to great effect. Thatcher directly attacked this strategy, outlawing the participation of non-strikers, whether local residents, family members or workers from neighbouring workplaces, from showing solidarity on picket lines. Secondly, sectoral bargain- ing structures, which had given unions a formal role in negotiating wages for an entire sector, were broken up. This destabilized unions’ role in setting conditions and wages, compounded by parallel labour market lib- eralization that enabled new forms of more casualized working practices to emerge.

A crucial aim of this regulatory change was to limit the role of unions to the workplace. Union efforts to build a social role beyond narrow pay disputes were quashed by new legal constraints put on union cam- paigning. Only workers directly affected by changes to their conditions were allowed to contest that change — a move towards the conception of union membership as a workplace insurance policy rather than a social and political project. This was consolidated in the late 1990s when New Labour introduced ‘right to representation’ legislation, which had the effect of prioritizing the rights of individual workers to access one-to-one union rep- resentation, as part of case work and disputes, over other union activities such as recruiting, campaigning and collective bargaining.??

By the end of the twentieth century a shallow-rooted form of bargaining had emerged as a result, with an approach of ‘workplace partnership’ between unions and management replacing the more confrontational methods that went before. Parts of the union move- ment have been complicit in this de-politicization of a union’s role. As Becki Winson, a UK organizer, explains:

Large chunks of the union bureaucracy at the time happily went along with it, and many still do. There doesn’t need to be a trade-off between helping individual members and taking collective action. There’s nothing to stop reps bringing individual cases to mass meetings - and calling for industrial action based on them. Unions Sah haven’t been encouraging their members and shop stewards to do it.?!

As well as facing legislative attacks, unions also faced renewed attacks from industry itself. In the US, emboldened by the anti-worker and pro-business sentiment of the Reagan administration, a whole indus- try bloomed around strike and union busting that still operates today. As one specialist in union oppression, writing in the Wall Street Journal in 1984, explained: ‘the current [Reagan] government and business climate presents a unique opportunity for companies ... to develop and implement long-term plans for conducting business in a union-free environment’.\*”

Starting with a few consultants offering businesses advice in ‘union avoidance’ in the 1950s, this industry boomed in the late 1970s and 1980s and amassed a turnover of hundreds of millions of dollars each year.°\*? Later, employers began to demand more subtle and sophisticated tactics and the field of ‘preventive labour relations’ was born. Professionals in the field wielded degrees in industrial psychology, management and labour law — with skills to manipulate not only the provisions of labour law, but also the emotions of workers seeking to unionize.\*\* These practices existed, albeit more covertly, in the UK too. Despite ‘blacklisting’ being outlawed in 1999, a legal case settled in 2019 found that more than forty major construction firms funded and maintained confidential files on 3,200 workers between 1993 and 2009, pooling information about their employment histories, political views and personal relationships and using it to shut unionized workers out of the industry.\*°

This long period of retrenchment, which endures today under the Johnson and Trump administrations, continues the aim of keeping unions in a box. Both legislation and the union-avoidance industry have con- spired to confine unions to narrow workplace disputes, with strict rules and new cultural norms that limit which fights they pick and the tactics they use. These tactics seem to have been at least in part effective. In the post- war years between 1945 and 1979, days lost to strikes in the UK averaged 5.9 million per year. Between 1990 and 2018 they averaged 0.8 million per year, and not once reached 2 million.\*®

The demise of collective bargaining

One of the functions that has been gradually eroded during this period is the role of unions in collective bargaining over pay and conditions. During the post- war period unions were an institutionalized force in the economy, to the extent that, by the late 1970s, most British workers had their wages set via some sort of col- lective agreement involving unions.°’ Today it’s roughly a quarter.°\* In the US, the high point came in the 1950s when a third of the workforce were in unions and had their wages set via a union. Today it is one in ten. Weak union coverage and the dramatically reduced involvement of unions in pay setting are a deliberate outcome of the neoliberal agenda. In the UK, this took \_the form of undoing the sectoral bargaining agreements that had determined working conditions across whole industries. Labour market deregulation in the UK was ushered in through the Wages Act of 1986 and subse- quent reforms in the early 1990s that dismantled the UK’s wage councils — the associations of employers and employee representatives who would set wages and standards across industries.

The result is that pay setting has been effectively taken ‘in house’ by firms. The privatization of major industries speeded up this process, as new and changed workplaces increasingly fell outside the reach of existing bargaining agreements. Though collective bargaining has remained strong in some privatized industries where natural monopolies exist, such as transport and energy,\*? in other parts of the private sector entirely un-unionized workplaces have proliferated.

As a result of the closure of the wage councils and demise of sector-wide agreements, for a period in the early 1990s the UK was the only country in the European Community to have no statutory or implicit means to ensure minimum standards of pay.\*? The introduction of the National Minimum Wage under Blair in 1999 sought to address this, ameliorating the conditions of the worst-off through unilateral, statutory means and deliberately avoiding the re-establishment a of collective bargaining or wage boards.‘

In the US, collective bargaining has always been decen- tralized, operating at an enterprise-by-enterprise level, and so the institutional power of unions did not have so far to fall.4? But a major blow came in 1947 with a new piece of legislation known as the “Taft-Hartley Act’, which allowed individual states to enact ‘right to work’ laws and opt out of certain collective bargaining regula- tions.\*? Half of all US states have now adopted these rules, mostly in the South and Mid-West, with workers in some ‘right to work states’ earning 8 per cent less per hour than their counterparts in neighbouring states.\*4 This fragmentation is exacerbated further by the fact that the rights of workers to bargain collectively differ not just from state to state, but depending on which indus- tries they work in. There are three distinct legal regimes: one for the railroad and airline industries, one for the rest of the private sector, and one for the public sector.\*5 In the public sector, which has much higher union density, the rules are especially restrictive, with striking and other industrial action prohibited for many.\*

The demise of collective bargaining means that, for most US and UK workers today, voting for a party that promises to increase the minimum wage is the closest they get to having a say in their terms of employment. Under Anglophone common-law regimes the absence of collective bargaining means ‘the employment contract provides the employer with a licence to command’.\*” Going against the grain, some US states have recently begun coordinating a form of collective bargaining for low-paid workers at a local level. California, New York and New Jersey are among a number of US states to have passed laws to establish wage boards that include management, public officials and representatives of the workforce in setting standards in certain industries.\*% In 2015 the New York state wage board was one of the first districts to authorize a $15 hourly minimum wage for fast-food workers in businesses that are part of chains, phased in over six years.\*” The corresponding ‘Fight for Fifteen’ campaign that spread across the coun- - try involving young McDonald’s workers rolled this out to seven more states.°”

The state of play today: organizing without institutional power

We’re having to basically start from scratch. As a union movement I’m not sure we’re ready for the scale of recruitment and organizing that’s needed.

UK union organizer?!

Since the 1980s, unions have struggled to rebuild power. They are failing to reach many workers in new industries, partly because of economic changes such as financialization which make their work harder, but also because of limitations in the movement’s own structures and cultures.

In the absence of sector-wide bargaining, the main way to increase the coverage of collective bargaining is to increase the number of unionized workplaces, which requires building new membership bases in areas of the economy where there isn’t one. And this is not easy. Over the past forty years, unions have made few seri- ous inroads into the growing private sector industries in which the majority of the population work — from distri- bution warehouses to private care homes, supermarkets, hotels and call centres. Private sector union membership on both sides of the Atlantic declined sharply in the final two decades of the twentieth century and has continued in a downward trajectory, albeit more slowly, since. In 2018 only 13.2 per cent of UK private sector workers were in a union, and only 6.4 per cent in the US. The case in the hospitality sector is particularly stark — only around 3 per cent of British and US hospitality workers are in a union.”

Because private sector membership is so low, an increas- ing portion of the population has no access to — or even knowledge of — unions. This creates a self-reinforcing cycle of decline and compounds low membership among young workers. In the UK, membership among 18-25-year-olds has halved since the millennium.°? There are important exceptions to this rule. In the US there has been a notable recent increase in young mem- bers in both the private and public sectors — in 2017 this meant that one in four new jobs taken up by under-35s was unionized.°\* New branches are being established in the US, including in tech start-ups, among game- workers and in the warehouses of online retailers. In the UK, campaigns by bartenders, cinema staff, fast-food workers and gig economy couriers have taken place in major cities, many led by young and migrant workers. But in these industries without a strong union legacy, there are only a handful of instances in which a suffi- cient density of union membership has been built to take industrial action and win improved conditions. There is good reason for this. Face-to-face workplace organ- izing today is hard. Work is increasingly physically fragmented with workforces often spread over several sites. Insecure and shift-based jobs lead to a higher staff turnover and anonymous workplace cultures.°> Unions are often unable to physically access workers, either because they are within locked buildings or because they are subject to surveillance or threats from anti-union management.°© While these conditions make union organizing a challenge, they are not insurmountable. But they do mean that organizing in new industries - tends to be resource intensive, and because income from membership is shrinking, unions are risk averse about spending. As one UK union organizer put it:

We’re not even close to being fit for purpose to recruit, and part of the problem is to do with our own structures. Our time is always torn between servicing existing mem- bers here and recruiting hypothetical future members over there.°”

Established unions often remain disproportionately focused on ‘legacy’ industries such as utilities, rail, buses and post — industries which used to be in public own- ership and where union density was historically and is currently higher than average. Most private sector membership today is in fact concentrated in these indus- tries, as they have shifted from the public to the private sectors. While unions prioritize their resources for representing these existing members and maintaining current recognition agreements, ambitions to organize for more political, outward-looking campaigns lose out. Many union recruitment strategies today are explicitly focused on ‘infill’ (aiming to improve density where there is already a union active), rather than expanding into new sectors.°°

This failure has serious consequences beyond dwin- dling membership. Migrant, black and other workers from ethnic minorities face exclusion from the union movement as they are more likely to work in the types of insecure, private sector jobs that unions struggle to organize, and even within unionized workplaces they face difficulties ensuring effective representation of their interests.°?

The prioritization of legacy members at the cost of reaching beyond is reminiscent of a ‘craft union’ approach focused on ‘looking after your own’. In some cases this is an intentional strategy: defend exist- ing working standards against the introduction of the poorer standards (and by implication new workers) that undermine them.°° As one organizer puts it: There are political and strategic issues to think through. Should we go and recruit people in new companies that have resulted from a liberalisation of the market, if we don’t think these companies should exist at all?6! But while workers in new, privatized industries are suffering some of the worst conditions, the union move- ment’s failure to build joint strategies across sectors is a failure to build real working-class solidarity. The massive outsourcing of public services such as hospitals, prisons and universities in the UK is one example of this failure, and something many unions have been slow to adapt to. The two- and three-tier workforces created by outsourcing are often mirrored by unions themselves. It is not unusual for one union to represent certain professional groups that have remained ‘in house’ to a service, such as technicians in a uni- versity or clerks in a hospital, with another organizing among the outsourced cleaners and caterers who don’t have parity of pay, job security or rights. And these unions don’t always work together. There are perceived trade-offs for established unions who are defending the rights of their long-standing in-house members. Indeed, picking a fight over the poor standards of outsourced workers might mean putting long-standing bargaining agreements covering in-house members at risk. Newer, independent unions in the UK such as -Independent Workers Union of Great Britain (IWGB) and United Voices of the World (UVW) have been vocal on this issue, accusing the broader union movement of protectionism. They have made it their business to take up cases that they feel the bigger unions are failing on, such as the recent case won by 1,000 outsourced hospital workers — cleaners, porters and security staff - most of whom are migrants from Europe, Africa, Latin America and Asia, to be insourced in a London hos- pital.°? In theory, sectoral bargaining could overcome these divisions between different groups of workers by raising everyone’s wages together. However, even if a government were to introduce this, substantial work would still remain, both to ensure that these powers are democratic and accountable to the workforce they seek to serve, and to make them resilient to political change. Both of these things, as we can see from the live case unfolding in France, are never a given.

Lessons from Europe

At midday on 22 September 2017, in a carefully staged and televised ceremony, French president Emmanuel Macron signed five decrees dramatically weakening France’s labour laws. The former investment banker proudly hailed them as ‘without precedent’ in the post- war French Fifth Republic.

The reforms constituted a major deregulation of the labour market, including undermining France’s system of sectoral bargaining. That system had meant that up to then, 98 per cent of France’s population was covered by collective bargaining, despite only 8 per cent actually being members of a union (and most of these, as in the US and UK, consigned to the public sector).®\* Macron’s reforms allowed individual firms to come to their own agreements, undermining those conditions negotiated at a higher level.

Labour reform had been a key plank of Macron’s pro-business, pro-finance presidential campaign and was controversially pushed through by executive order during the first months of his presidency. But labour law reform in France is not for the faint-hearted. Four presidents over the last thirty years have attempted it and been met with profound public resistance.®\* Macron too has met considerable resistance from French unions, who are demonstrating that even under hostile govern- ments and with low membership, unions can still flex their muscles, with some success.

National strikes over proposals to increase the pension- able age have erupted. This follows the steady building of grassroots activity focused largely on France’s public transport networks,® with recent direct action by pri- vate sector unions — such as energy workers — cutting off power supplies across the suburbs south of Paris. These efforts, however, have not managed to prevent one of the key pieces of legislative infrastructure that gives unions a formalized role in the economy — sectoral bargaining — from being diluted. And this spells trouble for a movement with so few paid-up members. In the context of a hostile government, it remains to be seen how much French unions can maintain their impressive militancy, capacity to mobilize and institutional role. Unions still play important institutional roles in state agendas across Europe today, but this role is in retreat, to differing degrees, almost everywhere.®° Sometimes -referred to as forms of ‘social dialogue’, ‘social part- nerships’, ‘tripartite agreements’ or ‘corporatism’, institutional unionism represents attempts to formal- ize the role of unions in workplaces, in sectors of the economy and in relation to the state. It is no secret that institutional unionism in the US and UK lags well behind that of Europe. Today the UK is an outlier among its neighbours — ranking near the bottom of an index measuring levels of ‘worker participation’ of various kinds across Europe, ahead of only Bulgaria, Lithuania, Latvia and Estonia.°”

By way of contrast, in the Nordic social democratic states of Sweden, Denmark, Norway, Iceland and Finland — known for their strong welfare systems —insti- tutionalized unions still play a major role in economic and labour market planning.®\* These countries have high levels of union membership (the vast majority of workers) and sector-wide agreements. Elected union representatives negotiate directly with associations of employers to set pay and conditions for 70-80 per cent of all private sector workers (with the exception of Norway, which is closer to 50 per cent).®? The collective agreements are binding and usually involve ‘peace obligations’, meaning that during the period of the agreement, disputes have to be negotiated and settled without strikes or other types of industrial action.”

One of the things that sets the Nordic model apart is the prominence of collective bargaining over statutory means of regulating working conditions, for example through national minimum wages. The high levels of organization of both workers through unions and employers through associations requires little state intervention. As a result the Nordic countries have rela- tively flexible labour laws when compared to the likes of France or Italy, which have instead tended to enshrine their workers’ rights in law.7!

In Germany, unions have an institutionalized role through industry agreements, as well as participating in ‘works councils’ which are associations of employees and management. This approach of ‘co-determination’ also includes the right for workers to sit on the boards of companies — the roots of which lie within grassroots union organization, but are today often synonymous with corporate management aims and boosting work- place productivity.”

Institutional unionism is often celebrated by Anglo- American unions operating in their comparatively austere and isolating labour markets. And for good reason — these models were hard won by unions and have produced remarkable levels of wage and gender equality for decades. But these models are in an almost universal period of decline. The political influence of European trade unions on policy making — even in the Nordic states — is falling.”

This is perhaps unsurprising given the international nature of neoliberalism and the corresponding models of financial capitalism. The EU became a vehicle for its advancement,”\* with guidance routinely including demands for wage moderation,” urging member states to ensure wage increases are part of an ‘employment friendly policy mix’ and that ‘vigilance is needed over the impact of wage-settlements and labour-cost increases on price competitiveness’.”°

Adhering to recommendations in the wake of the financial crash, several countries diluted their collective bargaining structures by either discontinuing national agreements, breaking up multi-employer bargaining or changing the rules around which workers are covered by sectoral agreements.’’ Compounding this, national policy changes over a longer period have meant that few countries now support union membership directly through public policy. Those that still do - the nations that adhere to the ‘Ghent system’, where unemployment benefits are accessed via union membership — tend to be smaller economies (Iceland, Sweden, Finland, Denmark, Belgium).

We can’t turn back the clock

One of the reasons that the ambition of re-establishing institutional unionism remains popular within sections of the labour movement is the promise of a return to the ‘golden era’ of post-war union strength. If unions have a seat at the table, then could the steady wage increases and labour share gains that existed during this period be recreated?

This thinking risks being clouded by nostalgia. The broader socio-political context of the post-war era in the UK and the US worked strongly in unions’ favour. A major reason why capital owners were more will- ing than usual to work with unions during this period was the staggering rate of economic growth. Company bosses were more willing to agree to higher wages when they were also seeing their profits increase. Furthermore, in the context of the threat of international communism and a working class who had just made major sacrifices during the war, bosses were keen to do what they could to temper revolutionary impulses. Moreover, in the UK, whilst this era of relative economic equality and pros- perity was enabled by progressive, Keynesian economic policy and strong unions, the scale of its success was only possible because of a much uglier economic real- ity: Britain’s empire. Colonial rule resulted in a direct subsidy to British living standards by the nations it colo- nized long into the twentieth century,”? a context that is often ignored by those celebrating the economic success of the post-war consensus.

With the additional imperative to reduce consumption in the face of climate change, global economic growth beginning to flatline, and the prospect of intensified rent-seeking, progressive movements will need to accept that a return to high levels of growth is neither possible nor desirable. This suggests that, rather than relying on ‘win-win’ solutions between capital and labour, unions may need to be more adversarial in their approach. The truth is that today’s economy bears less and less resemblance to the textbook scenario on which tradi- tional, twentieth-century union bargaining strategies are based. Capital owners still rely on the daily labour of workforces to profit, and work is still the main site in which for most people the interests of capital and labour meet, but beneath this lies a raft of changes that undermine the position of workers.

Rebuilding an institutional role for unions in today’s economy

Despite the renewed energy and interest in institutional unionism, the recent failure of democratic socialist agendas to gain electoral success in the UK or US means ‘that unions in these countries won’t be winning insti- tutional power through a top-down policy programme any time soon. In both countries, due to historically low levels of membership and militancy, the other route to rebuilding institutional power — by negotiating sectoral agreements directly with employers, sector by sector — also feels far off. Significant victories are conceiv- able in legacy sectors like transport and utilities where union density is higher, and this should of course be pursued. However, on its own this strategy holds little hope for swathes of the most marginalized workers, in outsourced services, hotels, warehouses, supermarkets and call centres.

There are other limitations to this ambition. Collective bargaining over wages, which is the bread-and-butter practice of these institutional models, will not alone reverse the inequalities that have emerged under financialization.

Clearly, increasing the reach of collective wage- bargaining — and therefore wages — will help. After all, some of the mechanisms by which financialization has undermined the power of workers are partly an issue because of low wages. If unions were in a position to more effectively bargain for and win higher wages, then people wouldn’t be in so much debt and would be better able to afford high rents. Furthermore, sectoral bargaining overcomes some of the corporate practices that undermine union solidarity — outsourced workers, for example, could be brought into agreements so that distant, unaccountable employers would no longer be able to duck union demands.

#### Sectoral bargaining solves---it enables resilient partnerships between unions and firms which lengthen managerial time-horizons. Balancing investment with wages stabilizes the business cycle.

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There is widespread consensus that our knowledge of the dynamics of partnership remains partial (e.g. Johnstone et al. 2009: 272–3; Roche and Geary 2002: 659). More restricted still is any understanding of how such systems function under deteriorating economic conditions. This article has sought to shed light on such issues. Our first objective must be to assess the success of the initiative under review. While the precise definition of ‘success’ remains controversial (see Geary and Trif 2011), it is increasingly accepted that account needs to be taken of both outcomes and process (see Johnstone et al. 2009: 270–2). Beneficial outcomes for management included enhanced flexibility and productivity, more stable supplier relationships and significant inward investment. Employees were rewarded with improved bonus payments — at least initially — and greater employment security via workforce expansion. Notwithstanding the subsequent collapse in orders, and significant labour shedding at other plants, there had been no job losses among directly employed workers by the close of research. Additional gains were made in the arena of H&S performance — a significant outcome for both sides.

In terms of process, robust systems of consultation emerged from a formerly hostile environment. Significant strides were made to formulate consensus-based solutions. In part, consultation was about ‘retrenchment’ (Samuel 2007: 461) and plans were devised to limit the immediate impact of recession on plant profitability. The bonus surrender initiative, for example, was a jointly formulated response; one intended to buy the local actors time, faced with an increasingly impatient group management. There was nonetheless a desire to develop the firm's long-term capability through joint approaches — partnership was additionally about ‘adaptation’ (Samuel 2007: 461). The creation of workflow task groups and the securing of regional training funding represented ‘adaptive’ interventions, founded on dialogue and managerial–trade union collaboration. These measures sought in part to enhance capability post-recession. Both in terms of outcomes and process, this was by any standards a successful example of workplace partnership — one which spanned a major disjuncture in the business cycle. How might this resilience be best explained?

The data reported here suggest that the fusing of factors pertaining to union power and business strategy exerted a significant influence on the resilience of partnership. Consistent with extant literature (e.g. Dobbins and Gunnigle 2009; Oxenbridge and Brown 2004), an important institutional bulwark was provided by the presence of strong and independent trade unions. Partnership was originally born of a cultural change initiative that sought to unfreeze, change and refreeze behaviour more conducive to a competitive, quality-focused business strategy. Managers had one eye on the recovery of business confidence and there was an acceptance that ongoing union cooperation would be required if the plant was to obtain the world class standards of productivity and quality necessary to reap the benefits of an economic upturn. The improvement of production processes and tightening of work streams were very much work in progress, and the legitimacy conferred via the unions' imprimatur was deemed critical to underwrite employee consent to change. As in Dobbins and Gunnigle's (2009) study of AAL (another company involved with quality-orientated, continuous process technology), a return to adversarialism was not an option. Interestingly, the unions' key resource vis-à-vis their ability to arrest managerial defection (e.g. via redundancies) from the principles of mutuality was less the threat of outright militancy, than managerial fear over the withdrawal of union support. Over and above such concerns, the managerial desire to avoid redundancies was born of wish to retain the key skills necessary for the anticipated upsurge once demand increased. The structural position of the plant and strategic focus actually lent itself naturally to the lengthening of time horizons (see Stuart and Martinez Lucio 2005: 17) and commitment to employment security.

Such predisposition towards resilience has been observed elsewhere (e.g. Dobbins and Gunnigle 2009; Oxenbridge and Brown 2004). In this instance, reinforcement was provided by three moderating factors. First, the life cycle phase and maturity of the accord were key stabilizing features. Prior to the onset of recession, a buoyant market had made it relatively painless for management to demonstrate integrity and good faith. By the spring of 2008, there was broad parity in terms of the ‘balance of advantage’ (Guest and Peccei 2001), and an erstwhile strong order book had provided ample opportunity for the development of trust. Dobbins and Gunnigle's (2009: 564) findings usefully indicate that partnership is likely to be more durable where there is relative insulation from market pressures. The Engco study nonetheless suggests that examples of ‘genuine’ partnership need not be shielded from the exigencies of the market. The loss of overtime, reductions to annualized hours and willingness of the unions to support temporary bonus surrender demonstrated substantial ability to absorb economic pain — although there must of course be a limit to union forbearance — most obviously, recourse to labour shedding. What may be crucial is not insulation per se, but absence of economic turbulence during initial commissioning and stabilization periods, when the parties are exhibiting their ‘bona fides’ (Roche and Geary 2002: 675) — especially when building away from a formerly antagonistic relationship.

A second supportive condition necessary for the sustainability of partnership in a period of crisis is evidently managerial skill and political sensitivity. Dobbins and Gunnigle (2009: 568) suggest that the sustainability of voluntarist partnership requires ‘vigilance from management’, but this important insight has not been significantly interrogated. Structures do exert pressures and constraints, but there is still scope for purposive action. Partnership survival will depend crucially on the skills of the actors in deploying strategies and making choices in a subtle and sensitive way. A noteworthy finding here was the degree of resource devoted to the initial nurturing process and the keen political sensitivity displayed by both operational and support (i.e. HR) managers. During the early roll out, issues pertaining to H&S were foregrounded, partly as a form of ‘legitimising rhetoric’ (Ferner 2004: 530). In the light of recent fatalities, this approach was successful in capturing the interest of both trade unions and employees. Management continued to nurture the relationship during its early stages. A dedicated department coordinated all communications relating to partnership and wider aspects of cultural change. Examples of employee ‘wins’ were ostentatiously broadcast via various media.

When the economic downturn hit, a key reference point for decision making was the managerial desire to protect the legitimacy of partnership. This period of crisis promulgated an interesting mix of measured unilateralism and pluralist governance. In terms of the former, in exceptional circumstances managers were not averse on occasion to a fairly crude (outwardly at least) reliance on prerogative. The culling of annualized hours, for example, took place without prior consultation in contravention of procedure. This was, however, a calculated decision. In view of the wider loss of overtime experienced by the team member population, management was simply ensuring salary sacrifice was equally distributed. Aside from those shop stewards directly involved, most activists conceded that the decision — if not the procedure — was fair and equitable. As such, the apparent managerial recourse to unilateralism actually served to protect the unions' position by shielding the officials from charges of co-option. In sum, such ‘tactical unilateralism’ was expedient for both sets of actors. With respect to pluralist decision making, the replacement of the guaranteed working week (widely invoked in other plants), with the bonus surrender proposal as a cost-cutting measure, was a solid example of joint governance. The task was one of crafting a joint solution that would be both acceptable to head office and the local stakeholders. Bonus surrender was viewed by management and unions as leading to more equitable sharing of the financial burden and more in tune with their vision of partnership.

Management face immense difficulties maintaining partnership in the face of the myriad potentially destabilizing events which may accompany economic crisis. The key danger to management (and risk to local union officials) is that managerial miscalculation may serve to usurp the representative mandate of union activists. Hyman (1997: 31) has argued that the legitimacy of representatives ‘is gained and sustained by a record of “delivering the goods” and is lost by a persistent (or sometimes a single) failure to deliver’ (emphasis added). In the absence of support of mandated activists, partnership has no political anchor and is itself rendered an illegitimate sham. The difficulty for the managerial function under conditions of partnership is thus amplified —‘vigilance’ involves being alert to the security of both managerial and union positions. The latter may involve the shrewd use of both pluralism and unilateralism as circumstances dictate. This requires a degree of sophistication that may not be present in those schooled in more traditional, antagonistic modes of industrial relations.

The third moderating factor to be considered is trust. While research exists exploring the links between partnership and trust (e.g. Dietz 2004; Guest et al. 2008), there is relatively little coverage of how the development of trust might influence the stability of partnership. The findings presented here suggest that this is a fertile yet complex area. The principal observation is that trust occurs at multiple hierarchical levels and trust at local level alone may be insufficient. From the data presented, it is evident the local parties moved from a low to relatively high trust relationship. During the early stages, the incumbent CEO sought the support of union activists. The latter risked, and were indeed subject to, the charge of incorporation in some quarters, but their actions were justified by subsequent outcomes, not least workforce expansion and enhanced bonus payments. In Dietz's (2004) term, expectations were vindicated by experience, allowing more powerful forms of trust to develop. Come the difficult times, this reservoir of trust emboldened and encouraged the unions to underwrite a fairly unpalatable decision — voluntary bonus surrender. The ultimate ‘deal breaker’ was the lack of trust between the NTOs and Engco group management. While local actors worked to develop joint solutions, these sat in stark contrast to the national situation where relations remained acrimonious and antagonistic. In the final analysis, limited trust at national level attenuated progress locally.

These observations suggest that the institutional partition of collective bargaining from consultation — in Roche and Geary's (2002: 660–1) terms, the separation of the adversarial and distributive from the integrative and consensual — as advocated by some commentators (see again Roche and Geary 2002 for a summary), is not of itself necessarily a formula conducive to the success of partnership. Where, as in this instance, bargaining is centralized and consultation is decentralized, the union power brokers may simply be too distant and remote from local events to be sufficiently confident of establishment level managerial bona fides (and vice versa).

Finally, this article provides added evidence that partnership can give rise to significant intra-union tensions — contestation does not simply span the managerial–trade union divide. What we have outlined is an inversion of the ‘displaced activist thesis’ (see Geary and Roche 2003). Reflecting the partially sheltered position of the plant (a smaller and less integrated sister facility had taken the brunt of divisional pain), local actors sought greater autonomy in their dealings with management — in effect, a nascent form of enterprise unionism (see Benson and Gospel 2008). Of course, national unions have an interest in preserving their influence (Benson and Gospel 2008: 376). Decentralization threatened to usurp the unions' ability to leverage group-wide solutions to ongoing job cuts, solutions that might act to the advantage of the workforce as a whole.

The findings echo those of Rubinstein and Kochan (2001) in highlighting the need for local management–trade union autonomy, allied to the very careful handling of boundary relationships (Rubinstein and Kochan 2001: 105–22). Given the relatively protected position of the plant, the redistribution of power sought by the local union leadership had an obvious immediate appeal. In the long run, however, local activists risk the attenuation of the political, financial and expert resources provided by the centre (see Rubinstein and Kochan 2001: 103–4), factors which could undermine the efficacy of local representation and hence partnership. In view of such tensions, any decentralization of intra-union or management authority needs to be carefully brokered and, wherever possible, based itself around consensus and consultation, rather than short-term pragmatism.

6. Conclusion

How then might we summarize the prognosis for workplace partnership in organizations touched by recession? What can be said with some certainty is that in line with existing accounts (e.g. Dobbins and Gunnigle 2009; Oxenbridge and Brown 2004; Roche and Geary 2002; Rubinstein and Kochan 2001; Samuel 2007), much will depend on the precise configuration of strategic, structural and institutional factors. A business strategy focused on sources of competitiveness such as quality, innovation and service is crucial (Kochan and Osterman 1994: 55). Strong and well-organized trade unions that may ‘shock’ management into best practice (see Freeman and Medoff 1984) are a further prerequisite. Where these conditions hold, the possibility of managerial withdrawal on the grounds of short-term expediency is significantly checked. Notwithstanding Streeck's (1998: 212) overriding emphasis on the superiority of ‘constitutionally guaranteed pluralism’, beneficial constraints do of course exist endogenously within industrial relations systems founded on voluntarism. Nonetheless, any innate predisposition for resilience requires reinforcing with ‘clear procedures for resolving serious problems and crisis’ (Cooke, as cited in Stuart and Martinez Lucio 2005: 6). While well-embedded systems of consultation are necessary here, trust is the ultimate arbiter. In times of retrenchment, the central theme of mutuality is recast, and the issue becomes the distribution of pain, rather than gain. In the absence of trust, unions will be unwilling to grant concessions gratuitously where they have concerns regarding the probity of management — there is simply too much at risk (see Jenkins 2007). The maintenance of trade union confidence during recession additionally requires a deft managerial touch including the patience, willingness and — given the risks — boldness to broker joint solutions wherever possible. The traditional paucity of these features in UK enterprise does not bode well for workplace partnership in a period of recession. Genuine or ‘robust’ (Oxenbridge and Brown 2004: 390) partnerships displaying the above array of benign characteristics may come through enriched and reinvigorated, following the successful experimentation with ‘defensive cooperation’ (Brown 2000: 313). But those more ‘shallow’ (Oxenbridge and Brown 2004: 390) variants will certainly fail under a process of natural selection. Moving from the general to the specific, local arrangements brokered in the context of highly centralized unions, or non-financially autonomous divisional enterprise, would appear to be additionally vulnerable. Short-term decisions or solutions imposed by the centre may have little regard for innovative systems of corporate governance at the micro level, leaving such pacts especially exposed to the vagaries of the business cycle.

#### Worker incentives under sectoral bargaining are correctly aligned to counterbalance shareholder short-termism.

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But virtually no-one in the U.S. today was even in the workforce the last time that private sector workers got “too good” of a deal (arguably following the inflationary strikes of the early 1970’s). We have the opposite problem: union strength is so low that most workers haven’t benefited from the country’s economic growth for decades now. Shareholders and the C-suite executives, by contrast, do seem to do exceptionally well regardless of the broader economy’s performance.

Sectoral bargaining solves both problems: by making unions co-stewards of the economy, their incentives change from “polishing the apple” and making the lucky few union members even better off, to focusing on the common good for all workers within an industry. (Longtime SEIU leader Andy Stern used to talk about “justice for all” unionism versus “just-for-us” or “I got mine” unionism.) But more importantly, in my view, nearly universal union coverage helps mitigate the opposite (and today more prevalent) trends of short-termism, financialization, and cost externalization on the part of firms.

Industry self-governance and labor market flexibility. I must say, you are sounding a lot like Louis Brandeis here, my friend! In the early 20th century, union organizers and supporters imagined that where there was equivalency of power, workers and managers could solve most problems within their industries and worksites bilaterally, part of a vision of industrial democracy that ran in parallel with political democracy. Rather than one-size-fits-all regulatory approaches, bargaining counterparts would be free to craft solutions that fit their crafts and industries. Brandeis helped negotiate a landmark multi-employer agreement that covered the New York garment industry between 1910 and 1916, “the Protocols of Peace,” which explicitly set out to eliminate sweatshops, stabilize wages and prices, and empowered shop-floor labor-management committees to make real-time adjustments to solve problems as they arose at the worksite before they impeded production. But the agreement ultimately failed in its objectives, in significant part because it wasn’t universal enough, and the standards could still be undermined by non-union employers.

Industry-specific labor-management innovation still occurs today in the few places where unions still have real density and engage in pattern or association bargaining covering a super-majority of employers in their market –the construction trades in many metro areas, the hospitality industry in Las Vegas, the hospital industry in New York, and the home care sector in Washington State (where I was the founding president of the union for those workers). In these now anomalous examples, the level of partnership between unions and employers is exceedingly high and each party helps the other solve its problems. One CEO with whom I used to sit across the bargaining table described the union as his “most important strategic partner” in addressing issues facing his business and his industry. But that was only possible because the union represented all his major competitors as well. It would have been nearly impossible had the union and the employers alike been constantly pressured by fissured work in competing franchises, gig platforms, and the like.

Risks: Competition and Sclerosis

You identify two major categories of risk about a potential shift to a more sectoral bargaining model in the U.S. I don’t think either one is unfounded, but that there is encouraging evidence that both can be avoided or mitigated to an extent that makes sectoral bargaining a better bet than either the existing U.S. model or a future with no meaningful collective bargaining.

First of all, you point to risks associated with competition to employers covered by sectoral bargaining agreements from those who are not. One scenario is that a sectoral bargaining system would be too porous, leaving too many avenues for work to shift to non-union competitors domestically. The other is that, absent other mechanisms, powerful unions in trade-sensitive sectors such as manufacturing could make U.S. industry uncompetitive globally.

With respect to domestic risk from non-covered employers, you nailed it perfectly when you wrote that “part of the problem with examples of American ‘pattern bargaining’ may have been that the system only went halfway.” In order for a sectoral system to work, it should be as universal as possible. If a firm can avoid the costs of bargaining coverage by shifting work to a subcontractor, a franchisee, or a differently-classified worker, then the model struggles. This is, of course, one of the principal weaknesses of the current enterprise- and workplace-based system. In a strong sectoral bargaining system, one important role of government is to guarantee compliance with sectoral coverage. One could envision a future National Labor Relations Board, no longer burdened with adjudicating representation and decertification cases for tiny bargaining units and endless unfair labor practice complaints, responsible for determining which sectoral agreement most appropriately covers each group of workers. But however one achieves it, maintaining high levels of coverage is a necessary design element in any sectoral bargaining system.

With respect to global competition, while I’m not a scholar of comparative global labor relations, I find the examples in northern Europe to be compelling. Germany compensates its autoworkers at double the rate of the U.S., and sells twice as many cars. In part this is because a powerful union, IG Metall, helps set the compensation standards, and in part because through cooperative works councils, labor and management solve production problems together at the workplace. Because Germany is the larger manufacturing economy, the unions in Scandinavia benchmark their wage demands to IG Metall’s.

In the U.S., there are already entire categories of manufacturing that have been offshored and are unlikely to return. About 95% of our clothing was domestically produced in 1960, but by 2008 it was about 5%. But Germany’s heavy industrial sector is significantly larger as a percentage of overall employment that ours in the U.S., which leads me to believe that in the context of a permanent, mature bargaining relationship, labor and management can partner for productivity and growth – a partnership that is hard to envision in the win/lose, adversarial system in the U.S., characterized by high levels of distrust among bargaining parties.

It’s true that we may never be able to compete on the price of fabric, toys, or electronic components with low-wage developing countries, but I’m not sure we need to in order to have a robust manufacturing sector with high levels of employment and family-sustaining wages. Further, as you imply, raising standards for the multiples-larger domestic service sector and the tens of millions of low-wage workers it employs would be bottom-up economic stimulus that doesn’t require a dime in new government program spending.

With respect to “sclerosis,” I do think that, as you write, “assumptions established at a time when competition was not a concern produced institutional inertia that precluded adaptation.” But sclerosis isn’t a problem limited to unionized companies. Does anyone really blame unions for the downfall of Compaq, Nokia, Blockbuster, Borders or the old IBM? (I hope not – they weren’t unionized!) And of course everyone can find their favorite example of an outdated work rule in an old union contract (“it cost me $400 to move a potted plant to the conference room”), but it took two bargaining parties to agree to every single one of them. The lesson here, I think, is more about the need for organizations (including unions) to constantly adapt. Works councils, a common feature in sectoral systems in Europe, have been credited with helping companies become more productive and adaptive by identifying and solving problems at the point of origin.

If anything, evidence suggests that unionized firms are more productive than non-union firms. This may be because turnover is lower, workplaces are safer, morale is higher, worker voice is more taken into account , or because union firms invest more in their workforce. It even could be the case, as with UPS, that higher (and more fixed) labor costs provide a strong incentive for companies to adapt and innovate in other cost-saving strategies. In the enterprise bargaining context, of course, it’s also likely that union firms are less profitable than non-union competitors, but that problem is solved with a sectoral approach.

My experience has been that the biggest impediment in the U.S. to the kind of joint labor-management cooperation that we see in Europe is the enterprise bargaining system itself. By strongly incentivizing both union avoidance and race-to-the-bottom economics, our system virtually guarantees zero-sum adversarialism that makes trust difficult to build and collaboration difficult to sustain. The best examples of high level collaboration and partnership within the U.S. context occur almost exclusively in high-density sectors and geographies.

#### Corporate long-termism’s sufficient AND necessary to channel sustainability investments---extinction.

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Corporate governance has become one of the burning topics of our times. With the emergence of new markets, corporations are engaged in cutthroat competition in their quest for raw materials and natural resources for economic growth. Many of these natural resources are scarce, not renewable and depleted. The livelihood of humans and animals is in danger. Some species are on the brink of extinction; the ecological crisis is a reality. One of the main reasons for this scandal and catastrophe is the frantic race for profit. Corporations are under tremendous pressure to prioritise shareholders' values at the expense of other stakeholders’ interests. Greedness and unethical behaviour are parts of corporate governance scandals that led to the financial crisis of 2008, global poverty, terrorism, etc. All these issues are real existential threats to present and future generations. Thus, strict regulation of corporate governance is essential for ethical reasons. Sustainable business and sustainable development are crucial to preserve humankind from extinction.

INTRODUCTION

Overview of Corporate Governance

The prospect of corporate governance incorporates the ways, processes and connections of the corporation’s control and steer. It offers an approach for reaching a fair settlement amongst different parties who may be the owners or managers, the employees, the customers, the suppliers and the main community as well. Good corporate governance makes open management, questionability, justice and trust in decision making problems in organizations (Mallin, 2013). One of the most crucial tenets of corporate governance is the makeup and utilization of the board of direc- tors, the executive compensations, risk management systems, the internal controls, as well as the disclosure policies. Corporate governance main purpose is to realize a long-term profit goal for shareholders and at the same time controls the needs of the stakeholders and investigate sustainable business practices.

Integrative role of Sustainable Development Goals (SDGs).

United Nations Sustainable Development Goals (SDGs) is a universal call on all the humanity stakeholders and state/non-state actors globally to end poverty by 2030, protect the planet and ensure that all people enjoy peace and prosperity. The 17 SDGs comprise of the Sustainable Development Goals that were taken by all the member states of the United Nations in the year 2015 and they target the issues of poverty,of hunger, health and education of women, provision of clean drinking water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, inequality amongst people, sustainable cit- ies and communities, responsible Fulfilling the agenda of SDGs (the Sustainable Development Goals) becomes possible only as result of a comprehensive joint work of governments, businesses, civil society organizations and people in all parts of the world (Mallin, 2013). However, businesses are heavily involved in achieving the SDGs by doing it through their usual business practices, production of products, services, and via their linkages and as well as the ethics, social and environmental standards they adhere to.

Research Aim, Objective, and Scope

The purpose of this chapter is to investigate how corporations can gain from deploying corporate governance techniques in the process of fulfilling Sustain- able Development Goals (SDGs) as illustrated by the case of Sainsbury, a leading supermarket consumer goods retailer in the United Kingdom. This study involves conceptual assessment of the corporate governance supply chain and SDGs link in case study of Sainsbury’s governance system and how well they align to SDGs. This research is concerned with the corporate governance discussion as a basis promoting sustainable development and the context of a given company and its stakeholders.

Defining Corporate Governance

Corporate governance is defined as an established set of rules, customs, code of conduct or procedures which guide the governing and directing of the affairs of corporations. It can be defined as the communication and relations network between the stakeholders, for example shareholders, management, employees, customers, suppliers, and society in general. OECD (Organization for Economic Cooperation and Development)) describers corporate governance as being a system that takes control in making entities accountable, fairness, transparent, and responsible in decision making and performance of the organization (OECD, 2015).

Enforcement of business governance as a key driver for sustainable Development

The essence of cooperation between corporate governance and sustainable development on the way to long-term economic, social, and environmental targets gain popularity. Human development asserts that the present demands should be met without jeopardizing future generations to fulfill their needs (United States Nations 2017). The studies have found that better dealing with the inner workings of corporate governance can result in improved environmental, social and governance (ESG) performance through which one could increase the long-term value creation and reduce the risks (loannou & Serafeim, 2012).

Sustainable development goals (SDGs) are a group of global targets that encompass the eradication of poverty, inequalities, and environmental degradation. It is, therefore, corporate governance which plays a significant role in ensuring responsible business behavior, ethical conduct, and environmental sustainability. SDGs provide a universally recognized reference framework which guide the move towards the holistic resolution of serious social, financial, and environmental chal- lenges that include the provision of basic health and education, inequality, climate change, and loss biodiversity. Nowadays, businesses are under pressure to provide their contribution to achieve the SDGs through the ways they work, use their goods and services and implement their partnerships (Sarrazin et al., 2020).

Key Principles of Effective Corporate Governance for Sustainability

Various basic notions have been formulated as the fundamental principles of ecologically friendly corporate governance. These principles include such as transparency, accountability, responsibility, equity, and stakeholder engagement then there is positive (World Bank, 2020). Transparency entails disclosing what environmental, social, workplace, and management (ESG) indicators are used to measure positive and negative impacts, and how. Accountability involves involving the setting of mechanisms to ensure that both the staff at management and the board of directors are accountable for the manner in which they take decisions and the actions they undertake, especially regarding corporate sustainability performance. The company should integrate the cases for sustainability into a strategic planning, risk management and performance evaluation processes (Kolk & Perego, 2014).

Corporate Governance and Sustainability: Theoretical Perspectives

A distinct but closely linked concept of corporate governance and sustainability has become an object of study for both academics and researchers. Theoretical ap- proaches on corporate governance and sustainability connection not only provide explanations on the way in which governance tools influence the environmental, social and economic performance of organizations but also emphasize on envi- ronmental social and economic effects of such performance. The agency theory, stewardship theory, and the stakeholder theory can be counted as examples of the most well-known theoretical frameworks that are utilized to address this relation. Agency theory explains the departure of management targets from owners as a result of disagreements on objectives, and also believes that agents have access to exclusive information, that is useful to them, and they may engage in self-serving choices (Jensen & Meckling, 2016). In the sustainability field agency theory's application shows us that well developed and efficient corporate governance mechanisms such as board oversight, executive compensation, and disclosure practices, can help curtail agency costs and ensure that corporate management is in agreement with shareholders' interests. Agency theory contributes to sustainable business by using incentives to maximize value and sustainability in harmony. (Shleifer, Vishny, 2017)

The oldest theory i.e. stewardship theory on the other hand focuses on looking into the direction of the alignment of interests of the manager and the stockholders for the long term value creation as well as wellbeing of the society (Davis et al., 2017). Stewardship-governance styles are the ones that are based on collaboration among stakeholders and that deal with such affairs as trust, credibility and account-

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sustainability and its famous mission to promote the modular approach is particularly notable in this example (Interface, 2021). Through incorporation of sustainability in the governance of the directors of the company, Interface has drastically changed the business model of its company which has led to improved product sustainability and reduction of environmental impact in addition to an engaged stakeholder base (Shrivastava & Kennelly, 2013).

Critiques and Challenges in Implementing Corporate Governance for SDGs

While the corporate governance conduct can be considered a factor in achieving the mentioned Sustainable Development Goals (SDGs), there are some doubts as well as obstacles that help to implement governance initiatives for the good of the environment. It is often argued that there are no globally applicable metrics and reporting frameworks to measure the level of sustainability that the organizations achieve and the degree to which they contribute to the realization of the SDGs. Since the monitoring reporting standards of ESG is still at the preliminary stage like the existence of GRI and SASB, there is need to harmonize and compare the reporting standards across all industries and regions consequently (Hawkins et al., 2017). The absence of the complete and uniform data renders the evaluation of companies in relation to SDGs and taking them to account for their commitment towards sustainability a difficult task.

One of the obstacles is the temporary attitude of financial markets and investment practices, which may not correspond to the interests of enterprises to provide long-term environmental issues with a greater value than the short-term financial income. Growth in profit expectations and demands from shareholders, analysts and rating agencies for companies to meet quarterly targets and keep short-term profits can put pressure on firms to reduce costs through cutting jobs and risk taking. It can be used in place of sustainability investments (Clark, 2019). Conquering myopia needs re-shaping the approach of investors, reform of regulatory frameworks, as well as incentives on the side of companies to develop sustainable projects and prolong life of their assets for the whole stakeholder group (Haldane, 2018).

#### Specifically, long-termism drives shareholders to divest from fossil fuels. They’ll prioritize climate change as a major risk to business.

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Even as humanity stares down the proverbial barrel of its own environmental ruin, its response to the existential threat of climate change appears sluggish at best. With 100 companies responsible for more than 70% of worldwide greenhouse gases since 1998,1 deliverance from environmental disaster appears heavily contingent on companies being able to significantly reduce their emissions.2 However, doing so is fraught with complexity. Scholars have decried modern day capitalism as suffering from a “systemic malaise”,3 seeing the deeply entrenched norm of shareholder primacy as the key barrier to the pursuit of greater environmental sustainability by companies.4 Yet, recent trends call for a review of this perception.

Using a theoretical approach, I draw upon socio-legal and economic studies and reports, published mostly over the past five years, to analyse the conduct and role of shareholders with respect to climate change and sustainability within companies. Such analysis is situated primarily within the Anglo-Saxon countries, in which liberal market economies prevail and the corporate norm of shareholder capitalism is most pervasive.5 In doing so, I argue that, owing to a growing business case for climate action and sustainability, shareholders are, in fact, becoming a key driver within companies for such change.

In this paper, I begin by problematising the corporate norm of shareholder primacy – both in its perception as the main barrier to sustainable companies, as well as its inevitability as a feature of modern economic markets (Part II). I then explore how shareholders are nevertheless proving to play a critical role in encouraging companies to be more sustainable, thereby subverting the notion that shareholders are inimical towards such efforts (Part III). This is followed by my analysis of the reasons for these shifting trends, which include the growing business case for climate change and the rising influence of institutional investors (Part IV). In the last substantive Part of this paper, I acknowledge the limitations shareholder primacy poses to achieving greater sustainability within companies, and how those limitations might be overcome (Part V). Finally, I offer my concluding remarks (Part VI).

II. THE INESCAPABLE CORPORATE NORM

To explore the prevalence of shareholder primacy as the main barrier to sustainability, section A of this Part considers the rise of shareholder primacy and its impact on companies’ attitudes towards environmental concerns. Section B examines how the closely related norm of short-termism more directly accounts for the difficulties companies face in dealing with climate change. Why shareholder primacy cannot be easily displaced is explained in section C, with section D demonstrating how sustainability initiatives which fail to consider its influence correspondingly fail to have any real impact.

A. The rise of shareholder primacy and the fall of the environment

Friedman’s proclamation that “the only business of a business is profit” laid the philosophical foundation for shareholder primacy to take root in the 1970s.6 Particularly in the Anglo-Saxon world, the pursuit of profit became the fundamental objective of the corporate vehicle to the exclusion of other public or social endeavours.7 The growing climate of market deregulation further allowed this vision of the corporation to flourish.8 With more of the public owning companies through shares, the management of a company became increasingly divorced from its ownership,9 thus necessitating some measure of accountability between owners and management.

Accordingly, the normative purpose of company law began to coalesce around economic agency theory – a focus on “board and management accountability to shareholders”.10 Without any social or higher purpose to serve, the prevailing view became that “corporations [were] to be managed for the exclusive benefit of shareholders”.11 Yet, growingly dispersed groups of shareholders of the modern corporation could mean equally diverse sets of interests.12 Maximising the wealth of shareholders homogenised those interests, allowing management to work towards a common objective.13 Shareholder primacy hence became “a dominant social norm” recognised,14 in “its strongest form”, as synonymous with the maximisation of shareholder profit.15

Such maximisation of profit inheres within the system the drive towards economic efficiency and the attendant need to minimise costs. Indeed, shareholder primacy is seen as treating any profit-reducing activity as impermissible, lest it “impair[s] the company’s ability to achieve maximum shareholder profits”.16 What follows is a systemic impetus to externalise the environmental costs onto other stakeholders.17 Doing so avoids a negative reflection of these costs in share prices,18 which in turn promotes the market value of the company.19 By leaving unconsidered such environmental externalities, economic systems which embrace the shareholder primacy model allow “the expense of destroying the earth [to be] largely absent from the prices set in the marketplace”.20 Companies therefore myopically showcase market values that fail to transparently reflect how the long-term risks of climate change impact their performance.21

The ostensible perniciousness of shareholder primacy is perhaps demonstrated by the contrasting picture painted by jurisdictions where it is not embraced. In particular, policymakers in Europe (apart from the UK) have greater rein over steering businesses towards more sustainable practices, with many more governmental initiatives to inculcate more socially responsible business habits seeking to protect the environment or mitigate climate change.22 Countries in which the shareholder primacy model reigns dominant, however, such as the US, have weak external governance pressures leaving little incentive for companies to take action on climate change.23 This explains why “national governments, even the most powerful among them, face growing difficulty in controlling the activities of business, and especially finance”.24

Although company law in Anglo-Saxon jurisdictions is generally reticent on managing companies’ impacts on the environment, environmental laws do exist that impose regulation on companies’ environmental performance.25 Yet, this ideology of a free-reigning market has meant that environmental laws seeking to instill responsibility for environmental externalities are criticised for constraining profit,26 often being replaced with “market mechanisms and voluntary regimes designed to appease business.”27 Indeed, this mirrors the general tendency to regard issues relating to the environment as matters of ‘soft’ policy, with agreements upholding social or environmental goals as having no real consequence if breached.28

Moreover, the divorced nature of ownership and management within companies militates against either side having any sense of moral ownership over their company’s environmental activities. On the one hand, casuistry – the idea that one’s moral obligations may be changed when he is responsible for deciding on behalf of another group – may compel managers to set aside personal (even environmentally friendly) preferences in favour of furthering the presumed interests of shareholders.29 On the other hand, the passive ownership of companies by shareholders, uninvolved with management, weakens any moral responsibility they have over the activities of the companies,30 if they bother to know about them at all.

Consequently, the recent domination of the shareholder primacy model is at once credited for the stock market’s remarkable growth while blamed for exacerbating environmental problems, rendering it difficult for firms to take a “sustainable business approach”.31

B. Short-term versus long-term

Closely intertwined with shareholder primacy is the corporate norm of short-termism. While properly regarded as distinct norms, shareholder primacy and short-termism are so often spoken of in the same breath that one would be forgiven for conflating them.32 Yet, it is perhaps the dissonance between the short-term perspective of the market compared with the longer-term detriment of climate change that most directly accounts for why corporate activities appear unreactive to the looming threat of the latter.33

Short-termism is driven by the brief timeframes in which corporate performance is assessed and investment decisions are made. Financial metrics such as sales growth, return- on-equity, and price/earnings ratios provide snapshot views of a company’s performance at any given time,34 enabling investors to capture short-term economic returns.35 Indeed, a study has shown that global retailers expect their capital investments to generate returns within three years,36 with managers’ compensation packages tied to even shorter financial performance measures.37 It is therefore no coincidence that boards, when making investment decisions, do not look beyond similar time horizons.38 As Pfeifer and Sullivan state:

“The need to deliver investment performance over, at maximum, 1 year, means that investment managers are, inevitably, incentivised to focus much of their attention on short-term drivers of investment performance rather than on longer-term value drivers.”39

Climate change, on the other hand, is often seen as a distant, nebulous problem, the effects of which may not even be felt in this lifetime.40 In a world that speaks so narrowly in the language of immediate gains or losses, climate degradation can present such gradual, imperceptible change that its impact may hardly be meaningfully reflected in investment decisions.41 Where physical impacts of climate change are ascertainable, there is so much uncertainty surrounding its specific nature or timing that making any assessment of their financial impact becomes both challenging and unappealing.42

The above create the conditions for what has been described as the ‘tragedy of the horizon’.43 Climate change and its costs may unfold over decades, whereas corporate performance is assessed over much shorter time frames.44 As long as risks which only “impose more immediate costs” are considered,45 climate change will be sidelined as an unquantifiable, distant spectre that the market will treat with, at best, skepticism and, at worst, irrelevance.46

#### Sectoral bargaining enables pressure specifically on climate change---resolves collective action barriers AND it’s modeled globally.

Sharon Block 19 – Professor of Practice and the Executive Director of the Center for Labor and a Just Economy @ Harvard Law School; 12/6; On Labor, “How Labor Law Could Help – Not Hinder – Tackling Big Problems”; https://onlabor.org/how-labor-law-could-help-not-hinder-tackling-big-problems

As the urgency of the climate crisis grows, the question of the role of labor in finding solutions also becomes more urgent. As OnLabor has tracked, significant parts of the labor movement have expressed support for the climate fight. Labor groups joined the Global Climate Strikes this fall. Numerous alliances between labor and environmentalists have sprung up, including the BlueGreen Alliance, Trade Unions for Energy Democracy and the Labor Network for Sustainability. For the most part, these coalitions have focused on political alliances to add labor’s clout to legislative and policy fights on environmental issues. Weaknesses in our labor law, however, hinder workers’ ability to effectively influence big problems like the climate crisis at the bargaining table.

There can now be no doubt that workers are being affected significantly by climate change. The evidence is growing of the current – not prospective – danger to workers resulting from rising temperatures and extreme weather. This evidence that climate change is already affecting workers’ health and safety strengthens the case that employers’ climate policies are not political or public policy issues, but workplace issues. If our labor law can accomplish anything, it should be to give workers a channel for addressing the conditions of employment that threaten their lives and livelihoods.

Lately we are seeing workers trying to enforce demands that their employers address the climate crisis. Leaders of the “Bargaining for the Common Good” movement have made addressing the climate crisis a focus of their innovative bargaining campaigns. In September, Amazon workers at the Seattle headquarters walked off the job to protest the company’s failure to take bolder action on climate. OnLabor’s own Jared Odessky recently provided an overview in “In These Times” of provisions in collective bargaining agreements that address climate protection goals.

I fear, however, that these efforts to deal with climate change at the bargaining table are destined to have limited success because of the fundamental structural problems with our labor law. Enterprise bargaining severely limits the scope of what workers can accomplish through bargaining, including what they can accomplish on climate, because collective bargaining agreements apply only to one firm (at best). No single employer can make a meaningful difference in climate change, no matter how much the company reduces its carbon footprint or advocates for clean energy policies. A single employer at best can influence the after-the-fact effects of climate change, like giving workers more water breaks during periods of high temperatures. In this way, the NLRA’s enterprise-based bargaining system precludes workers from demanding a say in any issue that is bigger than what their own employer can tackle.

Moreover, the law’s definition of mandatory subjects of bargaining raises questions about whether unions in our enterprise-based bargaining system can even get the climate issue to the bargaining table.

I’ve written previously about how the NLRA’s narrow definition of mandatory subjects of bargaining is an impediment to workers being able to weigh in on the full range of issues in which they are interested, including the response to the climate crisis. To be a mandatory subject of bargaining, a proposal must not only be related to a term or condition of employment, it must also be within an employer’s influence or control. See Eastex, Inc. v. NLRB, 437 U.S. 556, 568 n. 18 (1978). If workers’ frame their objective in putting climate-related proposals on the enterprise-based bargaining table as impacting the climate crisis and reversing the trend of increasing temperatures, their proposals are going to fail the mandatory-subject test. No single employer can be understood to influence or control climate change.

Moving to sectoral bargaining, however, would expand the scope of collective bargaining agreements in a way that would enable unions to better address climate change. Imagine if workers could create a coordinated movement to demand in bargaining that lots of employers reduce their carbon footprints – maybe together employers could actually impact climate change. The climate crisis is so massive and all-encompassing there are legitimate questions as to whether even a coordinated approach among employers could have a meaningful impact. Legislation that mandates radical change in the U.S. climate policy, along the lines of the Green New Deal, is necessary to save the planet. I suggest, however, that a worker-driven coordinated sectoral policy on climate change could be a positive step in making big needed changes.

Although such a worker-driven industry-wide approach is not possible under the NLRA, labor law reform could move the U.S. to a sectoral bargaining system. Take, for example, how a sectoral approach could work in the auto industry. Many environmentalists believe that a big move in the U.S. to electric cars is a necessary step in reaching the U.S. obligations under the Intergovernmental Panel on Climate Change. What if all of the auto manufacturers in the U.S. were at a sectoral bargaining table where the unions made a demand for a transition to electric vehicles? The size of the U.S. market could influence the global market for electric cars. Even if that is not true, sectoral bargaining in the U.S. also could facilitate a global sectoral push for more electric cars. Let’s now imagine if unions engaged in a transnational strategy to pressure automakers around the world to increase production of electric vehicles. Because most of the rest of the world engages in sectoral bargaining such coordination is not beyond the realm of possibility. If successful, we could be on our way to tackling one of the most significant contributors to carbon pollution.

Electricity generation is another sector that must be reformed to arrest the climate crisis. Unions that represent workers in the energy sector could bring clean energy generation proposals to a sectoral bargaining table and negotiate the terms of a just transition – one that leads to cleaner energy and support for workers whose jobs change as a result of such a transformation. Germany recently engaged in such an exercise. In January 2019, the German Coal Commission brought together industry players, unions and other stakeholders to negotiate an agreement to phase out coal by 2038. This form of sectoral bargaining also negotiated financial support for coal miners and their communities. While the Coal Commission was not formally a part of Germany’s sectoral bargaining system, it demonstrates the potential of an industry-wide approach to tackling big climate goals.

Facilitating sectoral bargaining over climate crisis strategies would be beneficial for two reasons. First, it would create a new tool to put pressure on corporations to change their behavior. So far, relying on voluntary corporate commitments or our gridlocked political system has not yielded the results we need. Second, it would ensure that workers have a direct voice in influencing how corporations address the climate crisis. Workers are already on the front line of suffering from our inaction on climate – it makes sense to reform labor law so they can have a chance to spur much needed action.

#### Climate change causes extinction through cascading, complex system failure. Food and resource shortages restrict access to basic human needs, prompting mass sociopolitical instability.

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1. Introduction

Despite recent social protests and climate emergency declarations, efforts to mitigate climate change to date are insufficient.1 Greenhouse gas (GHG) emissions continue to rise and global warming above 3 °C is increasingly likely this century.2 There is emerging evidence of amplifying feedbacks accelerating3 and dampening feedbacks decelerating.4 These feedbacks exacerbate the possibility of runaway global warming,5 estimated at 8 °C or greater by 2100.6 Such temperature increases translate to a range of real dangers,7 shifting the narrow climate niche within which humans have resided for millennia.8

Looking beyond the framing of “global warming”, there is concern that the effects of ﻿ climate change may pose an ﻿ existential risk to humanity, one that threatens “societal collapse” or even extinction.9 Understanding these worst-case scenarios is essential for good risk management.10 Improving awareness of potential pathways through which ﻿ climate change poses such a risk can help inform decision- making about interventions.11 Considering societal impacts that are more tangible for individuals, businesses and governments,12 and better ﻿ aligned with conventional risk priorities,13 may facilitate more effective action to mitigate ﻿ climate change.14

A number of pathways through which ﻿ climate change could cause societal collapse have been identified, one being via food insecurity.15 Climate change is predicted to undermine agricultural systems and disrupt food supply,16 which may lead to economic shocks, socio- political instability as well as starvation, migration and conflict at local through to global scale.17 While the climate science underpinning global warming estimates is well established,18 albeit subject to sensitivities, the uncertainties increase significantly when we start to consider these tangible societal impacts given the complex relationships involved.19 Our understanding of worst-case scenarios, and particularly of empirical evidence addressing the causal pathways through which ﻿ climate change may cause societal collapse, is underdeveloped.20

In this chapter we aim to identify and structure an empirical evidence base of the relationships between ﻿ climate change, food insecurity and societal collapse. We do this using Causal Loop Diagrams (CLD), a system dynamics approach that is useful for visualising the relationships between variables in a complex system.21 This chapter is organised as follows. In Section 2, we review the societal collapse and ﻿ existential risk literature to refine the aim introduced above. In Section 3, we develop an original methodology to establish a new empirical evidence base and create a novel-format CLD of causal pathways between ﻿ climate change and societal collapse. In Section 4, we present and discuss the results from the application of this methodology to the ﻿ climate change, food insecurity and societal collapse causal pathway of interest. We conclude, in Section 5, by identifying avenues of future work that may build upon this chapter.

2. Literature Review

To refine the aim of this chapter, introduced in Section 1, our review examines whether there is historical evidence of ﻿ climate change as a mechanism of societal collapse and to what extent have causal pathways been documented to inform our understanding of ﻿ climate change as an existential threat to contemporary society.

We first define the terms “﻿ existential risk” and “societal collapse” as used in this chapter. Adopting ﻿ Ord’s definition, “an ﻿ existential risk is a risk that threatens the destruction of humanity’s long-term potential” be it incomplete destruction, such as societal collapse, or complete destruction, such as extinction.22 Adopting Kemp’s definition, societal collapse is an “enduring loss of ﻿ population, identity [and/or institutional] complexity”;23 it may be abrupt or gradual, but is typically rapid because it is notably transformative, and may be experienced by a local, national or the global community of people. Fig. 1 presents a conceptual model of societal collapse, synthesised from the broader literature, to provide further contextual definition.

[FIGURE 1 OMITTED]

The rise and fall of civilisations has been documented since the earliest recordings of history and is increasingly studied to inform our understanding of societal collapse.24 We consider two types of historical studies that provide insight into ﻿ climate change as a mechanism of societal collapse in the past. We note that other mechanisms are also discussed in the literature, and there is debate about the role of different mechanisms in particular societal collapse events.

The first type of historical study empirically investigates an individual societal collapse event using primary sources, including anthropological, archaeological and paleontological data. Based on such data analysis, natural ﻿ climate change has been asserted as a mechanism of societal collapse in many of these case studies, as established by de Menocal25 and Weiss and Bradley.26 For example, Hodell et al.,27 Haug et al.,28 and Medina-Elizalde and Rohling29 analyse paleoclimate data alongside the archaeological record to show that drought conditions, driven by ﻿ climate change likely due to solar forcing, contributed to the collapse of the Classic Maya civilisation of Mesoamerica in ~8–10th century CE. Weiss et al.,30 Cullen et al.,31 and Cookson et al.32 show that regional aridity, driven by ﻿ climate change likely due to ﻿ volcanic forcing, contributed to the collapse of multiple societies across Mesopotamia, including the Akkadian Empire in ~22nd century BCE. Similarly, natural ﻿ climate change has been implicated in the collapse of multiple Late Bronze Age societies around the Mediterranean,33 including Mycenaean Kingdoms in ~12th century BCE,34 the Harappan Civilization of South Asia in ~19th century BCE,35 the Angkor Empire of Southeast Asia in ~15th century CE,36 multiple Chinese Dynasties37 and civilisations along the Silk Road38 during the previous millennium, the Norse Vikings of Greenland in ~16th century AD,39 and the Tiwanaku Empire of Pre- Columbian South America in ~10th century CE40 amongst others.

This first type of studies establishes precedence of natural ﻿ climate change as a mechanism of societal collapse throughout history, demonstrating the risk that anthropogenic ﻿ climate change similarly poses to contemporary society. However, the events examined occurred more than 100 years ago, with most dating back to ancient history, when societies were relatively isolated. Because these case studies pre- date contemporary society, they do not provide empirical evidence of anthropogenic ﻿ climate change in context of today’s highly interconnected society.41

Statistical evaluation of the frequency and significance of natural ﻿ climate change relative to other mechanisms of societal collapse identified across these case studies has not yet been established within the literature. However, the second type of historical study does qualitatively examine collections of these case studies to develop theories of predominant modes of societal collapse. Three major modes are observed, as follows.

Fagan42 and McMichael43 focus on natural impact on the human system across multiple civilisations, concluding that natural ﻿ climate change is predominant having significantly influenced human existence throughout history. Over the past 12,000 years, the natural and human systems developed within the stable climate niche of the Holocene Epoch.44 The associated geographic endowments governed human transition from band societies based on foraging to complex societies based on agriculture. Unfavourable subtle (e.g. weather variations) and drastic (e.g. natural disasters) shifts in climate influenced the collapse of complex societies either by direct loss of life or indirectly via resource insecurity. In particular, in this mode, typically, the loss of agriculture led to de-﻿ population via famine, migration or conflict due to food insecurity.

Ponting,45 Wright,46 and Diamond47 focus on human impact on the natural system across multiple civilisations, concluding that human overpopulation and overexploitation relative to the carrying capacity of the environment is predominant. Societal collapse via environmental degradation often involved unsustainable agriculture, exacerbated by natural ﻿ climate change, leading to de-﻿ population as well as institutional breakdown via loss of economic stability and socio-political dysfunction due to magnified inequality. This mode aligns with early “Malthusian ﻿ catastrophe”,48 ”tragedy of the commons”,49 and “overshoot-and- collapse”50 theories.

In their 12-volume magnum opus exploring the rise and fall of 28 civilizations, Toynbee concludes that “great civilizations are not murdered [but rather] they take their own lives.”51 Building on this, Tainter,52 Acemoglu and Robinson,53 and Johnson54 focus on human impact on the human system across multiple civilisations, concluding that societal complexity in relation to problem-solving inability (e.g. environmental degradation) and institutional dysfunction (e.g. inequality and oligarchy internally, trade ally and hostile neighbour relations externally) is predominant. As a society becomes more complex, it reaches a point beyond which “continued investment in complexity as a problem-solving strategy yields a declining marginal return” and it will be at risk of collapsing under its own weight via institutional breakdown and de-﻿ population.55 This mode aligns with ”energy returned on energy invested” theory,56 applied to explore societal collapse by Homer-Dixon.57

Diamond,58 Turchin,59 and Schwartz and Nichols60 examine why some civilisations have been able to thrive or recover, rather than collapse. They similarly conclude that societies have flourished due to combinations of favourable geographic endowment, managing their existence within the carrying capacity of the natural system, and co-operative action in problem-solving.

This second type of studies highlights that societal collapse involves a complex nexus of factors and dynamically interlinked events. For instance, Gibbon details how all three of the modes, described in the preceding five paragraphs, contributed to the collapse of the ﻿ Roman Empire.61 These modes of societal collapse, although based on empirical evidence pre-dating contemporary society, describe key aspects of the anthropogenic ﻿ climate change problem faced today. While these studies describe causal pathways of relevance, to the best of our knowledge, no study has used CLDs to untangle the complexity and give structure to the dense information in this evidence base.

Across these historical studies, we observe no apparent temporal or spatial influence on the occurrence of societal collapse. Rather, societal collapse has been described as occurring in various forms, whether it be by known “white-swan” or surprise “black swan” events,62 in different geographic locations and times throughout history. Additionally, a quantitative statistical analysis by Arbesman shows that societal collapse has occurred randomly and independent of civilisation life- spans.63 These qualitative and quantitative observations highlight that any society may be susceptible to collapse, much in-line with the Red Queen Hypothesis of the Law of Extinction.

From these historical studies, we observe sets of secondary determinants for each of the primary determinants introduced in Fig. 1, which are defined in Fig. 2. Considering a geographically bounded society, emigration refers to any permanent departure of ﻿ population including both voluntary or forced migration, conflict mortality accounts for deaths directly arising from any form of domestic or international conflict (e.g. due to ﻿ war), and natural mortality accounts for deaths related to domestic environmental conditions (e.g. due to famine). The loss of socio-cultural norms, political structures or economic value accounts for that which notably transforms the identity and institutions of the society.

[FIGURE 2 OMITTED]

In addition to these historical studies, we consider the relatively nascent studies of existential risks (X-risks) that provide insight into how ﻿ climate change may trigger societal collapse in the future.

Comprehensive surveys of X-risks reveal mechanisms that could cause the collapse of contemporary society. Bostrom and Ćirković,65 ﻿ Rees,66 and Ord67 provide eminent scholarly treatment of the field, drawing from the academic literature. The World Economic Forum68 and Global Challenges Foundation69 produce global risk reports drawing from decision-makers and experts across intergovernmental and non-governmental organisations. These surveys establish that many historically observed mechanisms of societal collapse, including natural ﻿ climate change, remain applicable as X-risks today. However, the ﻿ state of existence of contemporary society has led to a different landscape in which these mechanisms apply, and to a number of unprecedented mechanisms, including anthropogenic ﻿ climate change. ﻿ Ehrlich and ﻿ Ehrlich70 and Häggström71 note that although increased complexity, such as globalisation and ﻿ technological advancement, can increase a society’s resilience and adaptability, it can also increase ﻿ vulnerability. For example, globalisation increases resilience to local agricultural production shocks through access to global markets; however, it also increases ﻿ vulnerability through ﻿ exposure to sudden reversal in connectivity, such as trade restrictions.72 Some geoengineering technologies, for example, may enable society to mitigate and adapt to ﻿ climate change; however, they may also increase ﻿ vulnerability to ﻿ termination shocks, where failure of the technology exposes society to sudden temperature increases.73 In this highly interconnected landscape, “synchronous”74 and ”cascading”75 failures create the potential for mechanisms and outcomes of societal collapse, once contained to a single localised civilisation, to rapidly spread across multiple nations and impact humanity on a global scale.

Works by Lynas,76 Wallace-Wells77 and Gowdy78 draw on the scientific ﻿ climate change literature to explore hypothetical futures under best- to worst-case scenarios. The scenarios consider the feedbacks within the natural system that could worsen, as well as the potential for humans to mitigate, anthropogenic ﻿ climate change. Shifts in average weather (e.g. temperature) and natural disasters (e.g. floods) affected by ﻿ climate change could impact human mortality directly. These two effects, coupled with sea level rise due to melting of ice caps, could indirectly impact human mortality via degradation of the natural world system (e.g. land quality) and the human world system (e.g. ﻿ infrastructure failures) resulting in resource and service insecurity. This insecurity could impact institutional stability, resulting in economic loss, political dysfunction and social unrest, as well as migration and conflict. The hypothetical outcomes for contemporary society against the threat of anthropogenic ﻿ climate change range from dystopian (collapse) to utopian (recovery).

These futures studies identify endpoints of different causal pathways between anthropogenic ﻿ climate change effects and potential impacts on the human world system, with the latter reflecting key determinants of societal collapse observed in the historical studies. Scholars have made limited in-roads to empirically investigating the top-level relationships between some of these endpoints using recent datasets. The direct links between ﻿ climate change and the endpoint impacts of mortality, conflict and migration are, respectively, examined by Mora et al.,79 Hsiang et al.80 and Hauer et al.81 The feedback between migration and conflict driven by climate change is examined by Abel et al.82 The direct links between ﻿ climate change and the endpoint impacts of economic loss, political instability and shifts in cultural norms are examined by Burke et al.,83 Sofuoğlu and Ay,84 and Adger et al.85 respectively. However, the complex bottom-level links between and surrounding these endpoints are generally ill understood,86 and the strength of empirical evidence is poorly documented from a systems science perspective.87 To the best of our knowledge, no study has empirically examined how the impacts of ﻿ climate change could explicitly translate into societal collapse for contemporary society. We do not have a clear picture of ﻿ climate change as a ﻿ systemic risk to our globalised society, particularly at spatial scales accounting for the heterogeneity of individual identity, business governance and policymaking across nations, and international exchanges. This limits our ability to understand feedbacks, identify intervention points, develop quantitative models and inform strategies to minimise the risk of societal collapse occurring in the future.88

Given the insights from this review, we refine the aim of this chapter as follows. Firstly, the empirical evidence base should specifically address contemporary society. Secondly, the CLD should be constructed at a scale and granularity that addresses the heterogenous characteristics of nations and international interactions. The refined aim of this chapter is thus to identify an empirical evidence base of ﻿ climate change, food insecurity and societal collapse in contemporary society and structure the evidence base with a CLD defined at global scale and national granularity.

3. Methodology

A two-stage framework, consisting of five steps, was developed to achieve the aim of this chapter. For each step, below, we first introduce it generically and then describe its application to our specific analysis of the ﻿ climate change, food insecurity and societal collapse causal pathway.

3.1. Stage 1: Establishing an empirical evidence base of societal collapse in contemporary society

Step I deploys societal collapse proxies via a key word search to identify “evidence points”, which in this instance may be considered data points, in the form of publications that empirically examine the causal pathway of interest in contemporary society.

The determinants defined in Fig. 2 provide these societal collapse proxies to establish the new empirical evidence base in lieu of historical societal collapse events pre-dating contemporary society. The ﻿ population loss set are straightforward to isolate, consistent to measure across nations and describe tangible consequences. The institutional breakdown set are relatively less so. Thus, the societal collapse proxies adopted in this study were natural mortality (i.e. starvation, with respect to food insecurity), conflict mortality and emigration; subsequent studies could use the institutional breakdown set. Key words were selected based on terminology of ﻿ climate change, food insecurity and the societal collapse proxies. Peer-reviewed journal articles were chosen as the form of evidence point in this study; subsequent studies could use other publications, such as books and reports.

The keyword search was performed in Scopus. A record of the search is contained in the Supplementary Information (A.). Approximately 3,000 publications were reviewed by reading the title, abstract and main body as needed. Evidence points were selected based on satisfaction of the following criteria: the publication (a) is a peer-reviewed, English- language, journal article; (b) uses empirical, data driven methods; (c) examines the period from 1990 to present (2019), representative of contemporary society; and (d) primarily examines the causal pathway of interest. We made an exception to (a) to include the most recent Limits to Growth book,89 which was not itself a search result but documents the World3 model that was identified in the search results. We note that (b) precluded selection of review or essay-style publications; however, we found that these were often discussed in the literature review of selected evidence points, so were, nonetheless, accounted for indirectly.

This step resulted in a new empirical evidence base consisting of 41 evidence points, which are summarised in Fig. 4.

Step II defines a custom colour-coded typology for the new empirical evidence base. This typology is used in Stage 2, to construct a final CLD (f-CLD) in a novel format showing the spread of the evidence base across the system.

In this study, we were interested in the methodological spread as this provides information on data that may be useful for future studies. Four methodological categories were identified in the new empirical evidence base. Each evidence point was classified into one of these categories and assigned a colour coding, namely: quantitative ﻿ complex systems model — red; statistical analysis of quantitative dataset — blue; collection / analysis of qualitative interview / survey data — green; quantitative data-led case study / scenario — yellow.

The resulting typology of the new empirical evidence base is shown in Fig. 4.

3.2. Stage 2: Constructing a novel-format causal loop diagram from the empirical evidence base

Step III involves creating an individual CLD (i-CLD) for each evidence point to clearly structure the complex causal relationships examined. These i-CLDs provide the building blocks from which to construct the f-CLD in Step IV.

[FIGURE 3 REMOVED]

The process to create an i-CLD is as follows. The corresponding evidence point was examined in its entirety to identify and record key information in the form of variables (nodes), links (arrowed lines) and relationship notation (positive or negative). Key information derived from the original data-driven content, i.e. the main analysis, of the evidence point was colour coded in the i-CLD according to the typology classification established in Step II. Any relationships hypothesised but not supported by the main analysis were coloured grey. Key information derived from other content, i.e. the literature review, of the evidence point was coloured black. The scale and granularity of the i-CLD was recorded as detailed in the evidence point. This process was repeated for each evidence point in isolation until a complete set of i-CLDs was produced for the new empirical evidence base.

All 41 i-CLDs created in this study are contained in the Supplementary Information (B.). One of the i-CLDs is shown in Fig. 3 as an example. Step IV reconciles the set of i-CLDs into a standardised format in order to construct the f-CLD of the system of interest at the desired scale and granularity.

The standardisation process has two aspects. One aspect is related to component (variables and links) definition, necessary to maximise clarity of the f-CLD while covering all information contained in the evidence base. This addresses the typical challenge of CLDs becoming dense and overcomplicated, which decreases their ﻿ utility. The other aspect is related to level of aggregation, necessary to ensure the f-CLD conveys information at the intended scale and granularity. The standardisation is an iterative process, as follows.

The ~950 variables from the set of 41 i-CLDs were recorded on a blank worksheet for the f-CLD, without links between them. A clustering approach was used to reconcile these variables into like groups. For each group, an overarching major node was isolated and the i-CLD variables in the group were virtually deposited into a matrix for that major node. For example, drought, sea level rise and crop disease were some of the i-CLD variables clustered into an environmental risk factors f-CLD major node matrix. The f-CLD major nodes were defined at a level of aggregation representative of a nation. Doing so effectively scaled down any global or regional aggregation, and scaled up any sub-national or local aggregation, in the i-CLD variables. For example, household food imports was an i-CLD variable of local aggregation that was scaled up to national food imports (trade) in the f-CLD.

The ~1150 links from the set of 41 i-CLDs were reconciled into arrowed lines between the major nodes in the f-CLD. This sometimes- required interpretation of implied causality in the i-CLD relationships in order to route them across the major nodes in the f-CLD. For example, where an i-CLD showed a direct link from international food price to conflict variables, this was routed using arrowed lines from international food price to national food price to food ﻿ accessibility to food insecurity and finally to conflict major nodes defined in the f-CLD. Where there was a discrepancy between relationship descriptions, the relationship with the most supporting i-CLDs was adopted.

The interim f-CLD produced at the end of each standardisation iteration was examined to determine whether the major node definition could be refined to maximise clarity. For example, in one iteration water and land were defined as separate major nodes, but examination determined that each had the same arrowed lines to other major nodes; therefore, another iteration was undertaken with water and land now clustered under a single natural resources major node in order to minimise redundant arrowed lines. This process was iterated several times until an f-CLD had been constructed at an appropriate level of detail for this study. Additionally, relevant literature reviewed in Section 290 was cross- referenced, but not included as evidence points, to ensure comprehensive coverage of key relationships in the f-CLD.

The standard-format f-CLD, consisting of uncoloured and unweighted components, resulting at the end of this step is contained in the Supplementary Information (C.).

Step V maps each i-CLD to the f-CLD using a weighted (line thickness) typology (colour-coded) approach. This visually documents the spread of the evidence base across the system described by the f-CLD.

The process to map an i-CLD to the f-CLD is as follows. Each variable (node) of the i-CLD was assigned to its corresponding major node(s) in the f-CLD. Each link (arrowed line) of the i-CLD was assigned to a corresponding route along the arrowed lines in the f-CLD. Each time an arrowed line in the f-CLD had an i-CLD link assigned to it, an incremental weighting of one-unit line thickness in the corresponding typology colour-coding of the i-CLD link was added to the f-CLD arrowed line. This process was repeated for each of the 41 i-CLDs until all had been mapped to the f-CLD. A record of this process for each of the 41 i-CLDs is contained in the Supplementary Information (D.).

The novel-format f-CLD, consisting of colour-coded and weighted components, resulting at the end of this final step is presented in Fig. 5.

4. Results and Discussion

The new empirical evidence base and novel-format CLD of ﻿ climate change, food insecurity and societal collapse in contemporary society resulting from the application of our original methodology (Section 3) are discussed in turn below.

4.1. Empirical evidence base of climate change, food insecurity and societal collapse in contemporary society

The new empirical evidence base (Section 3, Step I), along with its colour-coded typology (Section 3, Step II), is presented in Fig. 4. It consists of 41 evidence points, of which 9 examine the natural mortality (i.e. starvation, with respect to food insecurity), 20 the conflict mortality and 12 the emigration societal collapse proxy, alongside other human and natural world system factors. We discuss three key aspects of the evidence base, namely temporal and spatial distribution, data-driven method distribution, and advantages of each data-driven methods, below.

The temporal scale and granularity of study varies across the evidence base; however, our methodology limited the possible scale of study to the period from 1990 to present, representative of contemporary society. Within this period, approximately half of the evidence points cover a scale of less than one decade and the other half a scale of greater than one decade. Approximately half of the evidence points conduct analyses at yearly granularity and the other half conduct analyses at granularity greater than one year, with only a few studies conducting analyses at monthly granularity. The spatial scale and granularity of study varies across the evidence base. Approximately one third of the evidence points investigate the system at a global scale, with the remaining two thirds focusing on regional or national scales, primarily in Africa as well as the Middle East and Asia. Approximately half of the evidence points analyse the causal pathway at sub-national granularity, with the other half primarily focusing on national-level granularity. This variation provided different coverage of the complex relationships within the system, which was informative for constructing our CLD.

The distribution of data-driven methods used across the evidence base is notably different for each societal collapse proxy. Evidence points for natural mortality mostly use collection/analysis of interview/ survey data. This is likely because the minimum daily food intake for human survival is well established;91 as such, statistical analysis of food and mortality data sets would not yield significantly new insights into thresholds whereas interviews/surveys can provide insight into an individual’s circumstances influencing this relationship. Evidence points for conflict mortality mostly use statistical analysis of existing datasets. This likely reflects the interest in rigorously curated conflict datasets, such as UCDP/PRIO,92 across the conflict and peace fields. Evidence points for emigration mostly use collection/analysis of interview/survey data, likely because this provides nuanced insight into an individual’s decision to migrate. It may also be due to data availability and quality challenges that limit quantitative statistical analyses, which are being addressed by groups such as the International Organization for Migration’s Global Migration Data Analysis Centre.93 Amongst these data challenges, it is important to recognise the issue of reconciling different types of voluntary and forced migration with causal drivers, given the complex social, economic and political factors at play; this challenge similarly applies to the other societal collapse proxies but is particularly noted in the migration studies. We observe from these studies that a food insecurity threshold for natural mortality is well established but thresholds for conflict mortality and emigration are not. Indeed, distinguishing causal drivers within datasets and defining quantitative thresholds for these determinants remains a ”grand challenge”.94

[FIGURE 4 REMOVED]

Each data-driven method offers different advantages. The ﻿ complex ﻿ systems models each describe “chunks” of the system at different scale and granularity. The models provide mathematical definition, are ﻿ calibrated to real-world data and enable quantitative simulation of key relationships in the system. The statistical analyses quantitatively examine relationships between a dependent variable and one or more independent variables within the system, which can be used as a mathematical basis for extending ﻿ modelling capabilities. The collection/ analysis of interview/survey data provides insight into qualitative aspects of human perspective and decision-making that quantitative data sets cannot provide directly. The data-led case study/scenarios combine quantitative data with qualitative expert interpretation to better understand global trends and ﻿ forecasts. These latter two methods can also be used to inform the development of ﻿ modelling capabilities, the scenarios analysed by such models and their application in decision- making processes. Collectively, these different data-driven methods can yield useful insights into the nuances of relationships in the system of interest.

4.2. Causal loop diagram of the climate change, food insecurity and societal collapse in contemporary society at global scale and national granularity

The main result of this chapter is the CLD (the f-CLD from Section 3, Step V), presented in Fig. 5. It structures the relationships between ﻿ climate change, food insecurity and societal collapse as described in our new empirical evidence base (presented in Fig. 4 and discussed in Section 4.1). We discuss three key aspects of the CLD, namely insights related to the spread of empirical evidence, the qualitative ﻿ complex system depicted, and quantitative ﻿ complex system ﻿ modelling, below, alongside consideration of well-established benefits and limitations of CLDs.

Our CLD is presented in a novel format that documents the spread of our empirical evidence base. We use line thickness and colour, respectively, to depict the density and type of the data-driven methods used by the empirical evidence points to analyse a given link between two variables.

Doing this aids comprehension of where existing work has been focused with respect to the ﻿ climate change, food insecurity and societal collapse causal pathway. It may also help with the identification of gaps in existing analyses. For example, we can see that the link between food insecurity and conflict has been investigated mostly by evidence points using statistical analyses (blue), whereas the links between food insecurity and migration, and food insecurity and natural mortality, have been investigated mostly by evidence points using interviews/surveys (green). This hints that it may be useful to investigate the former using quantitative statistics, and the latter using qualitative interviews/surveys, to gain further insights offered by the different data-driven methods as described in Section 4.1.

It is important to recognise that our CLD may show negligible density for important links or even be missing important variables and/or links, either because they have not yet been studied or because our key word search failed to identify evidence points that have studied them. For example, our study focused on the ﻿ climate change, food insecurity and societal collapse causal pathway, so the density of our empirical evidence is concentrated along links central to this pathway, whereas the links between peripheral variables in the system, such as between fertility and births, show a lower density of empirical evidence. Similarly, our use of the ﻿ population loss set of societal collapse proxies means that the evidence base details natural mortality, conflict mortality and emigration, whereas the institutional breakdown set are not detailed. In considering this issue, our methodology attempted to maximise the ﻿ rigour and transparency of our study by documenting the spread of our empirical evidence base to help make the reader aware of exactly how much and what type of evidence was supporting the CLD presented here.

Further, we can see that while empirical studies have linked ﻿ climate change via food insecurity to our societal collapse proxies of natural mortality, conflict mortality and emigration, we found no empirical studies linking these proxies to the explicit term of societal collapse. This was expected given the motivation of this study (Section 1) and is due to the fact that there are no contemporary events of societal collapse, under the same definition as those in the historical studies pre-dating contemporary society, that enable these links to be empirically studied.95

Having considered the spread of empirical evidence, we now consider the ﻿ complex system documented. A key benefit of CLDs is that they simply present a myriad of information in a single diagram; in doing so, CLDs enable comprehension of the structure and behaviour of ﻿ complex systems, including feedbacks, intervention points and far- reaching interdependencies.96 Our CLD visually depicts a system of 39 variables, 105 links and 32,000 feedback loops,97 integrating information from different fields including climate science, ﻿ food security, conflict, migration and health research.

Walking through the CLD at a high-level, we can see how ﻿ population growth and lifestyle emissions, influenced by institutional/demographic factors (e.g. emission reduction incentives), combine to directly drive ﻿ climate change. Similarly, they indirectly drive ﻿ climate change via consumer demand on food production, which produces emissions directly (e.g. ruminant livestock) and indirectly via industrial capital/ output (e.g. processing factories). The environmental risk factors (e.g. extreme weather events) of ﻿ climate change may cause losses of food production either directly (e.g. plant disease) or indirectly via agricultural input availability (e.g. loss of water source for irrigation). A country’s food availability is influenced by domestic food production and international food trade. Food ﻿ accessibility is influenced by its food price, which responds to domestic (e.g. cost of food production and distribution) and international (e.g. international food price) markets, and institutional/demographic factors (e.g. food subsidies). Food utilisation is influenced by ﻿ infrastructure/services (e.g. ﻿ education) and institutional/demographic factors (e.g. cultural traditions). Food insecurity is underpinned by these three pillars of food availability, food ﻿ accessibility and food utilisation. For a given country, food insecurity can drive natural mortality (i.e. starvation), conflict and migration, contributing to ﻿ population loss, as well as economic shocks and socio- political instability, contributing to institutional breakdown, which exacerbates the risk of societal collapse.

Beyond a given country suffering increased natural mortality, famines (i.e. food insecurity) can place pressure on international humanitarian efforts (i.e. institutional risk factors). Conflict may occur domestically or internationally and can feedback to exacerbate food insecurity and institutional fragility (i.e. institutional risk factors). Potential mass emigration can increase pressure on food availability, natural resources and ﻿ infrastructure/services in the destination nation, which can lead to socio- cultural tensions (i.e. institutional risk factors) that fuel conflict. Food insecurity can also directly contribute to institutional risk factors such as social unrest, political instability and economic inequality, which increase the risk of societal collapse due to institutional breakdown, that may also ﻿ cascade internationally. While already fragile ﻿ states are expected to be hit the worst directly, these insights reveal the indirect ramifications of ﻿ climate change on our globalised society,98 with serious consequences for humanity’s ”existential security”.99

While some of these relationships may appear obvious, it is the act of bringing this information, which may otherwise be siloed and thus preventing consideration of the full story, together in one place that is of value.100 In doing so, our CLD attempts to provide readers with the opportunity to explore the ﻿ climate change, food insecurity and societal collapse causal pathway, consider worst-case scenarios that we want to avoid, develop transformative narratives of “where we want to go” and think about interventions that may help us attain this desired future.101

It is important to appreciate that CLDs are only as good as their information inputs; our CLD documents relationships based on information portrayed in our empirical evidence base as well as our interpretation of that information. As such, there exist challenges and limitations.102 For instance, CLDs may mask variability of relationships in different contexts and locations, because they can only depict a single scale and granularity. The portrayal of explicit causality between variables in a CLD is a challenge as this can often work in both directions rather than one. CLDs can often become either too complicated or too simplified, which undermines their usefulness. In considering each of these issues, our original methodology attempted to maximise the ﻿ rigour and transparency of our study by first documenting the information in each evidence point with an i-CLD and then consistently applying, and recording, the iterative process of reconciling the variables and links from each i-CLD to construct the f-CLD at the selected global scale and national granularity. In doing so, we sought to enable the reader to be aware of the nuances of the different scales and granularity of information underpinning our CLD, as well as our process of carefully reconciling causality, over 950 variables to 39 variables and 1150 links to 105 links to maximise the information conveyed while balancing readability.

It is also important to note that, due to their qualitative and static ﻿ nature, CLDs do not enable us to comprehend the dynamics of the system, including nonlinear and emergent behaviour, non-intuitive quantitative results and time delays.103 Complex systems models, although with their own challenges and limitations,104 provide the opportunity to quantitatively analyse the dynamics of a system and gain insights into the potentially far-reaching impacts of our decisions.105 However, ﻿ complex ﻿ systems models that explicitly examine societal collapse in contemporary society are underdeveloped. The World3 system dynamics model106 — an evidence point in this study (refer to Supplementary Information D).107 — is the eminent model of relevance, with only a limited number of studies building on it. World3 examines the potential for “overshoot-and-collapse” given ﻿ population and industrial growth within the finite carrying capacity of the natural world system, implicitly accounting for ﻿ climate change and explicitly accounting for food availability.

The information contained in our CLD and empirical evidence base may be useful in identifying and informing opportunities to improve these existing ﻿ complex systems ﻿ modelling capabilities for ﻿ climate change, food insecurity and societal collapse scenarios. For example, our CLD highlights important factors at global scale and national granularity that World3 does not incorporate because it is defined at global scale and granularity.108 World3 does not distinguish heterogenous characteristics of nations, such as distribution of ﻿ population or geographic endowment of natural resources. It also does not account for international interactions, such as food trade, conflict and migration. Relatedly, World3 evaluates societal collapse only by natural mortality (defined by food availability, age and pollution) and does not include the other two ﻿ population loss secondary determinants, as noted in the previous sentence, nor the three institutional breakdown secondary determinants. While our empirical evidence base may provide useful direction to datasets, it is important to note that quantitatively defining these relationships, particularly thresholds as discussed in Section 4.1, remains a key challenge of developing ﻿ complex ﻿ systems models. Nonetheless, given that individuals associate with national identity, business governance and policy-making are concentrated at national level, and international interactions underpin the functioning of contemporary society it could be valuable to model societal collapse risk profiles of different nations to inform the prioritisation and development of intervention strategies.

[FIGURE 5 REMOVED]

5. Conclusions and Future Work

This chapter identified an empirical evidence base of ﻿ climate change, food insecurity and societal collapse in contemporary society and structured the evidence base using a novel-format CLD defined at global scale and national granularity.

Two types of future work could extend from the results of this chapter. Identification of gaps in the spread of evidence across the CLD may guide future data-driven efforts to examine these causal relationships and define thresholds. The CLD and evidence base may be used to develop quantitative ﻿ modelling capabilities, particularly by transforming the structure of World3 to account for heterogenous national characteristics and international interactions. Three types of future work could extend from the methodology and literature synthesis. The causal pathway examined in this chapter could be further detailed by re-applying the methodology using the institutional breakdown set of societal collapse proxies instead of the ﻿ population loss set. The methodology, using either set of societal collapse proxies, could be applied to detail other causal pathways between ﻿ climate change and societal collapse. The methodology, excluding the contemporary time- period limitation, could be applied to document the information in the historical studies identified in the literature review. Similarly, the methodology could be applied to construct CLDs at different scales and granularities.

It is hoped that this chapter has contributed to developing our understanding of the causal pathways through which ﻿ climate change poses an ﻿ existential risk to humanity and facilitates opportunities for future work.

[REFERENCES OMITTED]

[CHAPTER 14 BEGINS]

Highlights:

• In this short chapter the authors draw on several research strands and papers within CSER to offer a theoretical reflection on how to think about catastrophic climate change and what Existential Risk Studies can learn from climate change research.

• This is intended to build on the previous chapter, in which Catherine Richards, Richard Lupton, and Julian Allwood provide an empirical assessment of one highly concerning risk cascade involving climate change and highlight its potential contribution to global catastrophic and existential risk.

• Climate change is one of the most empirically well-studied risks and has deep links to pre-existing bodies of literature, such as disaster risk management, environmental studies, and food security.

• Drawing on these studies and more, the chapter reflects on how to frame research questions in existential risk, what causes catastrophic climate change to be neglected by climate and existential risk researchers alike, and how to incorporate assessments of response risk and co-benefits into thinking about catastrophic climate change.

This short chapter brings together a number of important ideas and draws readers attention to other extant bodies of literature. The relative value of ﻿ co-benefits approaches is discussed in other chapters in this volume, including Chapter 4, in more detail. The dangers of ﻿ response risks are further discussed in Chapter 2.

1. Asking the Wrong Questions for the Right Reasons

Within Existential Risk Studies it is common to hear people ask the question “is ﻿ climate change an ﻿ existential risk?”, and many who ask this question answer negatively, arguing that as a result ﻿ climate change is not an important topic of research within the field. However, whether it is answered affirmatively or not, this question is misguided. There are three reasons for thinking this. Firstly, it makes little sense on a probabilistic level; whether something will be a threat to our collective existence is not a binary matter, it is a question of likelihood. However, many researchers within Existential Risk Studies mistakenly conflict ﻿ existential risk with events that could be existential ﻿ catastrophes. Secondly, ﻿ climate change is not a single uniform process that will affect everyone in the same way; it is a set of diffuse impacts to different ﻿ exposed populations, interacting with different ﻿ vulnerabilities and ﻿ exposures, and activating different risk ﻿ cascades. As Richards et al. show, it will inevitably interact with a host of other threats (not only ﻿ food security and societal collapse, but even factors such as the explosivity of ﻿ volcanic eruptions or the emergence of zoonotic pathogens),1 and these can interact with one another to create reinforcing feedback loops or “global systems death spirals”.2 Finally, “﻿ existential risk” is too vague and arbitrary a concept for the question to ever be answered. All the definitions of ﻿ existential risk that have received the greatest public attention thus far, such as Toby ﻿ Ord’s, focused not in terms of an impact on humanity at any point in time but rather in terms of “the loss of long-term future value”;3 either referring to the author(s) particular vision of a high-tech intergalactic utopia, or a fuzzy undefined idea of “our potential”.4

Other authors have practised attribution substitution and sought to answer an easier question such as “will the direct impacts of ﻿ climate change make the Earth uninhabitable?” as a proxy for existential risk,5 or suggested agricultural impossibility as a proxy for ﻿ civilisational collapse at a given level of temperature rise.6 These are certainly more tractable questions, but they are also entirely different questions, and there is a danger in thinking that answering them is sufficient to assess the overall level of ﻿ climate risk.

We are better off reverting back to the common-sense definition of ﻿ existential risk as the risk to the existence of a given object, and specifying whether the object under threat is humanity as a whole (﻿ extinction risk), global industrial society (collapse risk), or something else entirely. We should be thinking of an overall level of risk emergent from a particular socio-ecological system, and how much ﻿ climate change influences this level.7 And the question we should be asking about this risk is what contribution, under certain scenarios, ﻿ climate change will make, bearing in mind that it will almost certainly be operating in tandem with many other drivers of risk.

Considering this revised question can also help to rectify a recurring problem in the ﻿ climate risk literature: using mean global temperature rise as the sole threat indicator. Authors and ﻿ activists alike have frequently made a direct link between the level of warming and the likelihood of global ﻿ catastrophe, with 4–6 °C being most frequently used as this terrible threshold.8 However, global surface temperature is only one of the ﻿ climate change induced factors we need to worry about. 3 °C of warming above pre-industrial levels could be entirely manageable if it occurs in a world of adaptive technologies, high levels of multilateral cooperation, wealth equality, trust in institutions, and the safe management of other ﻿ planetary boundaries. It could also be catastrophic in a world where other ﻿ planetary boundaries are transgressed, the international order is riven with conflict, lethal autonomous weapons are in mass production, and societies are scarred by inequality, low trust, and polarisation. Understanding the contribution of ﻿ climate change to Global Catastrophic Risk requires a more sophisticated approach which looks beyond the direct impacts of a given level of warming to think through fully formed climate scenarios. We believe that, when conceived of in this way, the risks associated with ﻿ climate change are more appreciable and it is far harder to argue that understanding them is unimportant; however, even if others disagree with this assessment, we still maintain that this is the right way to think about the problem.

2. Catastrophic Neglect

Given how poorly questions about catastrophic ﻿ climate change are often framed, it is hardly surprising that it has been a highly neglected subject of study, not only among ﻿ existential risk researchers but also among ﻿ climate change researchers. Even at the basic level of temperature rise scenarios, we give far more attention to studying the impacts of lower- end warming rather than high-end warming. Text-mining of IPCC reports shows that mentions of 3 °C and above is underrepresented relative to its likelihood (and impact),9 a finding that has been verified by both literature sampling and the reports of popular authors trying to summarise the climate risk science.10 If anything, this trend appears to have worsened over time with subsequent IPCC reports.111 The use of complex risk assessments to study climate scenarios has also been neglected: looking at compound hazards is already rare,12 let alone considering risk ﻿ cascades and integrated climate ﻿ catastrophe assessments. Yet catastrophic ﻿ climate change remains high on the public and political agenda, creating both a perception that this is a risk receiving far more attention than it is, and also an intellectual vacuum that is easily filled by poor quality research, ranging from speculative doom-mongering13 to overly simplistic neoclassical economic models.14

There are four key reasons for this oversight of extreme global ﻿ climate risk. First is international climate policy. The 2015 Paris Climate Agreement on Climate Change has channelled scientific attention toward the agreement’s goal of limiting warming to 2 °C above pre- industrial levels and pursuing efforts to stabilise it below 1.5 °C, as these are now the publicly stated goals of climate ﻿ negotiations (even if they are highly unlikely to actually be realised). Second, analysis of high-end warming scenarios and complex risk assessments are simply harder to do. The higher the warming gets, the more difficult it becomes to study, as these scenarios are more displaced for the current climatic niche. Moreover, complex ﻿ climate risk assessments involving multiple factors are far more challenging than a ﻿ hazard-centric analysis focusing on only the direct impacts of mean global temperature rise. Third, climate scholarship has had a strong incentive to “err on the side of least drama”.15 Climate change has long been the target of fossil-fuel industry campaigns to sow doubt, not just on attempts to assess ﻿ climate change’s catastrophic potential but even the fundamental science, and this creates incentives for conservative science that builds consensus and does not risk exploring divergent hypotheses.16 Finally, many fear that discussing extreme risk could cause people to dwell too much on worst case scenarios, breeding fatalism and paralysis. However, this concern is misplaced; meta-analyses over hopeful vs. fearful messaging are mixed,17 and in any case this is a false dichotomy. One of the most referenced pieces for those concerned about the paralytic effect of fear does show that hopeful messaging is more poignant than fear but also that “worry” is even more effective than hope.18 The difference between worry and fear is one of degrees; the latter could even dissipate into the former over time. Furthermore, research should not be a PR exercise aimed to sway the public, in open democracies we have a duty to do honest risk assessments combined with clear recommendations for what can be done.19

Of course, these factors are only compounded by the consensus procedures of the IPCC, which seeks to synthesise scientific evidence for political purposes but is still often held up as a neutral arbiter of climate science. While useful, these procedures tend to produce lowest common-denominator outcome, which is precisely what is not needed when exploring extreme risks.20 This is an important point of reflection for any future efforts to build similar bodies aimed at bringing scientific research to bear on the governance of other global risks.

3. The Risks and Rewards of Responding

Climate change is inherently tractable and we already have the technologies we need to stop creating it, albeit without the institutions to fairly distribute them with a sufficient level of urgency. However, responding to risks like ﻿ climate change can incur risks of its own. Indeed, the IPCC, in its risk concept notes to the sixth assessment report, does not just discuss the usual three determinants of risk, ﻿ hazard, ﻿ vulnerability, and exposure, but also identifies “﻿ response risks”.21 Others have suggested that response should be added to the classic list of determinants.22 In some cases, responses may be far worse than the initial perceived risk, that is, they are iatrogenic: the treatment is worse than the disease.

Existential risk is especially prone to ﻿ response risks due to its scale, severity, and often speculative ﻿ nature. For instance, at the extreme a speculative fear of dispersed ﻿ weapons of mass destruction could justify a mass surveillance state.23 In general, there is always the potential for concerns over global risk to justify a Stomp Reflex — the abuse of emergency powers which inappropriately empower those atop a hierarchy and shield them from scrutiny. 24 This is also true for climate change

Reacting to ﻿ climate change could lead to emergency responses, such as ﻿ stratospheric aerosol injection (﻿ SAI), in an attempt to manipulate the quantity of solar radiation hitting the earth and thus counter some of the impacts of ﻿ climate change. Existing data on the direct impacts of ﻿ SAI and its contribution to ﻿ systemic risk or triggering other ﻿ hazards is sparse. Preliminary analysis suggests that the greatest problem is the ﻿ latent risks of “﻿ termination shock”. If a calamity such as a nuclear ﻿ war deactivates the system for a prolonged time, then this could significantly accelerate warming. Hence ﻿ SAI shifts the ﻿ risk distribution by likely lowering the level of risk in an average scenario but fattening the tail or “worst-case” scenarios depending on how ﻿ SAI is deployed, to what degree it is used, and what geopolitical and ecological world it is dispersed into.25 On the other hand, there are also frequently neglected ﻿ co-benefits of climate mitigation policies, such as the public health benefits of eliminating coal smoke and other pollutants from our air.26

Such problems of ﻿ response risk are perhaps the most neglected. Yet they are precisely what the study of ﻿ existential risk needs to grapple with. This could include by using robust decision-making procedures, such as the minimax principle, to aid in selecting policy options under ﻿ uncertainty or using ﻿ deliberative democratic processes to combine ﻿ diverse perspectives and co-create effective policy responses.

#### Impatient capital is the strongest predictor of political short-termism---labor power reverses this.

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Public policy to mitigate climate change has long faced opposition from powerful business interests (Downie 2019). One major explanation for business opposition points to the distributional effects of mitigation policies: they impose costs on firms. Consequently, carbon-intensive firms are more likely to oppose policy than less carbon-intensive ones (Colgan et al. 2020; Genovese and Tvinnereim 2019). Yet, while climate policy entails costs for companies, it can also generate benefits in the form increased innovation, market opportunities, resource productivity, and reputation (Aghion et al. 2016; Ambec and Lanoie 2008; Dechezleprêtre and Sato 2017; Porter and van der Linde 1995). The challenge, however, is that the costs and benefits are not temporally aligned for a polluting company. Costs are borne today to comply with policy and transition the firm onto a low-carbon trajectory, while the associated benefits are enjoyed primarily in the longer term. The result is that climate policy confronts firms with an intertemporal tradeoff.

We bring time into the study of business opposition to climate policy by theorizing the conditions under which firms can make this tradeoff. To date, scholars have focused exclusively on present-day distributional effects of climate policy on firms (Aklin and Mildenberger 2020; Cory et al. 2020; Downie 2017; Genovese 2019; Meckling 2015). Business is seen as responding only to the short-term costs of policy sticks, such as carbon pricing or regulation. We shift the focus to an explanation centered on the intertemporal distribution of costs and benefits. A company’s climate policy preference depends on its ability to absorb short-term costs in pursuit of long-term gains. Our approach thus does not discount the role of short-term costs, but rather expands the political theory of the firm to better fit the temporal structure of decarbonization policy.

To build our theory, we pay close attention to a rich literature in management studies on ownership, corporate governance, and time horizons. Scholars in this tradition have long been concerned with how investors vary in their degree of long-term orientation and the extent to which they pressure managers to maximize short-term profits (Hill et al. 1988; Porter 1992). By bringing these findings into political science, we show for the first time that this myopic market pressure translates into political behavior. When companies are owned by impatient capital providers, managers face intense pressure to deliver short-term profits at the expense of long-term gains, and are therefore unable to make the intertemporal tradeoff required by climate policy. As a consequence, they oppose policy reform.

We consider three dimensions of impatient capital: stock markets, ownership concentration, and owner type. Managers of firms listed on stock markets face greater pressure to deliver short-term profits (Asker et al. 2015; Bernstein 2022) and should therefore be more likely to oppose policy compared to their counterparts in privately-held companies. Second, because capital tends to be more patient when ownership is concentrated in the hands of blockholders (Edmans 2009; Gourevitch and Shinn 2005), we expect firms with blockholders to oppose climate policy less. Last, certain types of owners tend to more impatient than others (Deeg and Hardie 2016; Jackson and Petraki 2011). Firms owned by these impatient investors should oppose more.

We test our argument using the case of business opposition in the United States. We leverage the very high levels of polarization surrounding climate policy between the Democrats and Republicans between 2012 and 2020 and campaign contribution data to develop an original measure of firm-level climate policy opposition for energy-related companies. Using entropy balancing to match on observables as well as fixed-effects models, we find that ownership significantly shapes firms’ climate policy preferences. Publicly-traded companies oppose climate policy more than observably similar privately-owned firms. Across both public and private firms, those with high ownership concentration are less likely to oppose compared to observably similar firms with dispersed ownership. Amongst publicly traded companies, those owned by impatient investors, such as actively managed funds, and passive investors, such as Blackrock, Vanguard or State Street, oppose policy more.

We test whether our proposed mechanism—time horizons—is driving the results by using shareholder payouts as a proxy for firm-level time horizons. Firms that make larger payouts to shareholders, in the form of dividends and share buybacks, are more focused on offering short- term financial rewards to their investors with no direct benefit for the long-term health of the firm (Lazonick and Shin 2019). As expected, we find that higher shareholder payouts are associated with higher opposition.

To ensure that our results do not rely on our measure of firm-level opposition, we perform supplemental analyses of two additional corporate political behaviors: lobbying expenditure on climate-related issues and membership in anti-climate business coalitions. Our findings do not change. Across multiple measures of ownership and firm-level policy position, companies with impatient owners oppose climate policy more.

By highlighting the intertemporal tradeoff at the heart of decarbonization policy, our paper brings time to the fore and builds on insights from management studies to contribute new theory to the study of business and climate politics. Our approach shows how business opposition is shaped not only by the present-day distributional effects of policy (Colgan et al. 2020; Cory et al. 2020; Downie 2017; Genovese 2019; Meckling 2015; Mildenberger 2020), but also the ability of polluting firms to make intertemporal tradeoffs—absorb short-term costs today in pursuit of long- term gains. Furthermore, by emphasizing how ownership shapes firms’ time horizons, we highlight the critical role that capital markets play in shaping climate change politics. Finally, recent scholarship has explored how ownership—specifically domestic versus foreign—influences the way firms are treated by governments (Bayer 2023). Here we show that it also affects the way they behave toward governments.

More broadly, the paper advances our understanding of the micro-foundations of long-term policymaking. From education, pensions, and infrastructure to biodiversity loss and climate change, long-term societal challenges are everywhere (Finnegan 2022b; Hale 2024). In addressing these policy problems, governments are confronted with intertemporal tradeoffs: impose costs on society today for greater benefits in the future (Jacobs 2011). Our findings explain how ownership institutions shape the preferences of firm managers over these types of policies, and therefore, why opposition to long-term policy varies across firms.

Our argument also has important cross-national implications. The aggregate ownership structure of an economy—and thus the patience of capital—tends to vary systematically across the high-income democracies due to institutions like corporate governance rules, tax law, and financial regulation (Deeg and Hardie 2016; Hall and Soskice 2001). Some economies are more dependent on impatient, stock market capital while others are undergirded by patient capital from banks, families, and industrial foundations. As a result, governments in countries with more patient capital provision are likely to face less vociferous business opposition to stringent climate policy than those in countries dominated by impatient owners. While future research on cross-national variation is needed, this reasoning provides a complementary explanation for why, for example, Scandinavia and Germany, where patient capital has predominated, have tended to lead on climate policy since the 1980s (Finnegan 2022b).

[PARAGRAPH INTEGRITY PAUSES]

23 (Cory et al. 2020) include public listing as a covariate, and it is a reliably positive and statistically significant predictor of opposition. Similarly, in a recent study from management, Shive and Forster (2020) find that publicly traded US firms exhibit less pro-climate behavior—they have higher GHG emissions and incur more Environmental Protection Agency (EPA) penalties—than otherwise similar privately-held companies. 4.2. Ownership concentration We next examine the effect of ownership concentration. The benefit of analyzing blockholding is that it varies across public and private firms, allowing us to explore heterogeneity within both groups. We expect that blockholding will reduce opposition across all firms, as well as amongst public and private firms separately (i.e., private firms with blockholders should be less opposed than private firms without blockholders, and similarly for public firms). Model 2 in Table 2 presents the results. Firms with blockholders oppose climate policy less than observably similar firms with dispersed ownership, as our theory predicts. The coefficient suggests that firms owned by blockholders are around 1 point less opposed to climate policy. Again, it is a large coefficient when compared to sample mean opposition of 1.19. We next investigate heterogeneity across public and private firms. In our sample, around 85% of public companies and 64% of private ones have blockholders according to our definition. We expect both types of firms to be less opposed to climate policy when owned by blockholders. To test this, Model 3 includes an interaction between blockholding and public listing. The coefficients for blockholding and for the interaction term are negative and significant at conventional levels. Plotting the marginal effects of blockholding for public and private firms separately reveals a negative and statistically significant coefficient for public and private firms, as expected (Figure 4). Both private and public firms are less opposed to climate policy when they are owned by blockholders. However, the coefficient magnitude varies considerably for each type of company. The coefficient for public companies is more than 10 times the size of that for private firms, suggesting that blockholders play a larger role in shielding publicly-listed companies from short-term market pressures than privately-held companies. https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 24 Figure 4. Marginal effects of blockholding for private and public firms with 95% CIs We perform the same supplemental analyses using alternative measures of opposition— membership in anti-climate coalitions and lobbying expenditure—and carry out the same robustness tests as those described above (see Sections A4 and A5 of the Supplementary Information). Across all analyses and robustness checks, the main finding does not change: firms with concentrated ownership oppose climate policy less than those with dispersed ownership. 4.3. Type of owner For the next step in our analysis, we analyze variation by owner type amongst publicly-listed companies. We examine two types of owners: active investors and passive investors. Firms with larger ownership stakes by active investors should be more opposed to climate policy. In the case of passive investors, our expectations are indeterminate. To carry out our tests, we rely on OLS models, as our continuous measures of ownership are not suited to entropy balancing (as described above). We estimate models of the form 𝑌𝑖,𝑡 = 𝛽0 + 𝛽1𝑋𝑖,𝑡 + 𝛽2𝛩𝑖 + 𝛽3𝛾𝑖 + 𝛽4𝛢𝑖 + 𝛽5𝛺𝑡 + 𝛽5𝜆𝑖,𝑡 + 𝛽5μ𝑖,𝑡 + 𝑒𝑖,𝑡 (2) where Y is climate policy opposition for firm i in year t; ß0 is the Y intercept; Xi,t is our measure of ownership; 𝛩𝑖 is firm size; i are sector fixed effects at the 4-digit NAICS code; Αi are state fixed effects; Ωt are year fixed effects; 𝜆𝑖,𝑡 are sector-year fixed effects at the 4-digit NAICS code; μ𝑖,𝑡 are state-year fixed effects; and ei,t is the error term. As mentioned above, by controlling for all https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 25 unobserved time-invariant factors at the sector and state levels, all time-varying factors common to all firms, and all time-varying heterogeneity at the sector and state levels, this large battery of controls holds constant many factors that could plausibly affect climate policy opposition. Last, and similar to the analysis above, our approach here relies primarily on cross-sectional variation in ownership across firms. Table 3 presents the results. Looking first at active investors, we see a positive and statistically significant relationship (Model 1). As our theory predicts, publicly-listed firms with higher ownership by impatient, active investors oppose policy more. Again, the magnitude of the coefficient is large. A one standard deviation (22.54) increase in active ownership is associated with around a 1.1-point increase in opposition, relative to a sample mean of 1.19. Table 3. Type of owner and business opposition to climate policy (1) (2) Active investor ownership 0.05\*\* (0.02) Passive investor ownership 0.12\* (0.05) Size (ref=small) Medium 6.92\*\* 7.55\*\* (2.25) (2.45) Large 1.81\*\*\* 1.88\*\*\* (0.50) (0.52) Very large 11.36\*\*\* 12.03\*\*\* (1.18) (1.27) Constant -2.65 0.01 (2.39) (2.41) State FE X X Sector FE X X Year FE X X State-Year FE X X Sector-Year FE X X R2 0.14 0.15 N 14,174 13,293 Firms 1,806 1,660 Notes: OLS models. The dependent variable is opposition to climate change policy. Sector and sector-year fixed effects are at the 4-digit NAICS code. Sample period is 2012-2020. Robust standard errors in parentheses clustered at the firm level. \* p < 0.05 \*\* p < 0.01 \*\*\* p < 0.001 https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 26 In the case of passive investors, we again find a positive and significant association (Table 3 - Model 2). Publicly-listed companies with larger shares of ownership by passive investors oppose policy more. A one standard deviation (7.51) increase in passive ownership is associated with around a 0.9-point increase in opposition. Again, a substantively large coefficient. The result is consistent with an emerging body of work that is skeptical of the willingness and ability of passive owners to encourage managers to take a longer-term perspective or adopt more ambitious climate and environmental policies (Baines and Hager 2022; Braun 2022b; Fichtner and Heemskerk 2020; Voss 2024). Same as above, we carry out supplemental analyses using anti-climate coalition membership and lobbying expenditure as alternative measures of opposition and robustness tests using additional controls and an expanded sample (see Sections A4 and A5 of the Supplementary Information). Across all analyses, the main finding does not change: the more companies are owned by impatient active investors, the more they oppose climate policy. Similarly, the more they are owned by passive investors, the more they oppose. 4.4. Testing the mechanism For the last step in our analysis, we test the causal mechanism—short-termism amongst managers—that we propose is driving the relationship between ownership and climate policy opposition observed above. The ideal measure for this would be firm-specific hurdle rates (i.e., the minimum rate of return managers expect for an investment) (Poterba and Summers 1995). However, this data is not readily available. As a proxy, we use shareholder payout to construct a measure of short-termism at the firm level. High shareholder payout sends money to investors instead of making investments in the long-term health of the firm, leading to what Lazonick and Shin (2019) call ‘predatory value extraction’. Research finds that managers increase share repurchases to prevent declines in the stock price, and that doing so pays off, as share repurchases mitigate investor outflows (Bourveau et al. 2023). Furthermore, payouts are associated with indicators of short-termism like decreased investment (Almeida et al. 2016) and lower innovation (Wang et al. 2021). Based on these findings, we assume that managers that send company money https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 27 to shareholders instead of using it for investment are more short-term oriented than managers not making high shareholder payouts. Management scholars have struggled to identify a relationship between ownership and payouts due to endogeneity—investors pick companies based in part on their payouts (Crane et al. 2016). Our data does not enable a research design that can address this endogeneity. Therefore, to establish a link between ownership and payouts we rely on recent work in management that employs causal identification designs and finds that impatient ownership causes an increase in payouts (Bourveau et al. 2023; Crane et al. 2016; Gutiérrez and Philippon 2018). For our analysis, we then test the relationship between payouts and climate policy opposition. We measure shareholder payout using Orbis data on annual dividends and share repurchases, which is available from 2013 to 2020. Dividends send profits directly back to shareholders, while share repurchases generate value for shareholders in an indirect way. By buying back shares in the market and retiring them, firms can reduce the supply of outstanding shares, and by doing so, increase the share price. Before 1982 share buybacks were an illegal form of market manipulation in the US. They are now a widespread corporate practice, especially since the financial crisis (Fichtner and Heemskerk 2020; Lazonick and Shin 2019). We sum the amount of money each firm spends on dividends and repurchases in each year. We then normalize the measure by dividing this sum by total assets. Lastly, we multiply the quotient by 100 for ease of interpretation. However, much data is missing. To enable analysis, we assume that public companies with no data for dividends or repurchases in a given year did not make such transactions and code these firm-years as 0. Lastly, we drop a small number of outliers with values over 100. Because the measure of payouts is continuous, we employ the same empirical setup as the previous section—OLS model with controls (see Equation 2). Table 4 presents the results. As expected, we observe that firms that are more short-term oriented, as proxied by their level of shareholder payouts, oppose climate policy more. Again, the magnitude of the coefficient is substantively large. A one standard deviation (2.22) increase in payouts is associated with a 0.7-point increase in opposition, relative to mean opposition of 1.19. https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 28 We carry out supplemental analyses and robustness checks in the same way as above (see Sections A4 and A5 of the Supplementary Information). The main result does not change: firms that are more short-term oriented, oppose climate policy more. Table 4. Corporate time horizons and opposition to climate policy (1) Shareholder payout 0.32\* (0.16) Size (ref=small) Medium 7.65\* (3.27) Large 1.07\*\* (0.40) Very large 6.10\*\*\* (0.62) Constant -2.20 (1.56) State FE X Sector FE X Year FE X State-Year FE X Sector-Year FE X R2 0.09 N 19,731 Firms 2,550 Notes: OLS model. The dependent variable is opposition to climate change policy. Sector and sector-year fixed effects are at the 4-digit NAICS code. Sample period is 2012-2020. Robust standard errors in parentheses clustered at the firm level. \* p < 0.05 \*\* p < 0.01 \*\*\* p < 0.001 5. Conclusion In this article we set out to explain why some firms are more opposed to climate policy than others. To do so, we bring previously overlooked insights from management studies into political science to theorize how ownership shapes firms’ political opposition. We argue that companies with short- term, impatient investors are more likely to oppose climate policy than their counterparts with more patient owners. Short-term investors pressure managers to maximize profits in the near term. This reduces managerial time horizons and makes firms unable to trade off the short-term costs of climate policy for the long-term gains of transitioning to cleaner operations and products. As a https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 29 consequence, firms’ policy preferences are tilted against decarbonization policy that is costly to them. We theorize the effects of three categories of ownership: public versus private markets, ownership concentration, and type of owner. We expect firms to be more short-term oriented, and therefore more opposed to climate policy, when they are publicly listed, have dispersed ownership, or have high levels of ownership from active investors. We test our hypotheses with dataset of US firms. Using an original measure of firm-level opposition to climate policy based on firms’ campaign donations to Republicans versus Democrats between 2012 and 2020, we show that a firm’s ownership is significantly associated with its political behavior. Using entropy balancing to match on observables, we present robust evidence that publicly-traded companies oppose climate policy more than otherwise similar private ones. We explore heterogeneity by blockholding and by type of owner. Firms with blockholders oppose less than observably similar ones with dispersed ownership. Firms with high levels of ownership by active investors oppose policy more. Importantly, we find that ownership by passive investors is also significantly associated with opposition. Last, we provide evidence that firms’ time horizons are driving the relationship between ownership and opposition. As expected, companies that are more short-term oriented, as proxied by their level of shareholder payout, are more opposed to climate policy. Supplemental analyses using alternative measures of opposition— membership in anti-climate coalitions and lobbying expenditures on climate-related issues—as well as a battery of robustness checks provide confidence that our empirical findings are robust. This article advances our understanding of the micro-foundations of long-term policymaking by explaining why firms vary in their opposition to long-term policies that require intertemporal tradeoffs. By showing how corporate ownership affects firm preferences for long- term policy, we extend key findings in management studies and CPE. Scholars in these fields have shown that ownership shapes the market behavior of firms. We show for the first time, to our knowledge, that it also shapes their political behavior. Importantly, we identify firms’ time horizons as the key mechanism. This opens up a new space in the study of firm preferences and adds to recent scholarship on ownership structure and climate politics (Bayer 2023). It suggests https://doi.org/10.33774/apsa-2025-flxcq ORCID: https://orcid.org/0000-0003-3088-2756 Content not peer-reviewed by APSA. License: All Rights Reserved 30 that the short-term distributional effects of policies—the central focus of much firm preference research—intersect with firms’ ability to make intertemporal tradeoffs.

[PARAGRAPH INTEGRITY RESUMES]

Our findings also raise a central question for future research. Firms in liberal market economies like the US, UK, Canada, and Australia tend to rely on impatient, stock market capital while those in coordinated markets economies like Germany, Sweden, and Denmark often rely on patient capital from banks, families, and industrial organizations. We suggest that domestic institutions that shape corporate ownership structures, including corporate governance rules, financial regulation, and tax law, could account for cross-national variation in long-term policymaking, including on climate change. We expect that in countries with more patient capital provision, governments are likely to face less intense business opposition as companies are better able to absorb the short-term costs of long-term climate policymaking. In countries dominated by impatient owners, we expect the opposite. Business is likely to vigorously fight costly mitigation policy as firm managers strive to maintain short-term profits for their shareholders. Initial evidence points in this direction and shows that capital patience, as proxied by stock market capitalization, is positively correlated with a country’s climate policy stringency. The US, for instance, is an ideal-type liberal market economy. It has failed at multiple attempts to adopt federal climate policy that would impose short-term costs on firms, such as an energy tax or a cap-and-trade system. The US eventually adopted the Inflation Reduction Act (IRA) in 2022. However, the policy does not impose short-term costs on polluting firms, but rather provides them with carrots in the form of subsidies. Indeed, the US still does not have a federal climate policy that imposes high costs on business.

To be sure, additional research is needed to examine this question in detail. If it holds true, it would provide a complementary explanation for why countries in Scandinavia, for example, have led on climate policy since the 1980s, while liberal market economies have by and large lagged (Finnegan 2022b). Additionally, it would extend our understanding of how domestic institutions shape long-term policymaking beyond deliberative institutions and electoral rules to institutions that shape corporate ownership and firm preferences. It would thus also expand our understanding of the institutional sources of corporate political behavior (Busemeyer and Thelen 2020; Hacker and Pierson 2002; Martin 1995; Martin and Swank 2012; Woll 2008).

Our results also have important implications for politics and policy. First, they highlight the centrality of investors in shaping business opposition to climate policy. This stands in stark contrast to the predominant view that financial investors are a positive force for decarbonization. The theory of change underlying environmental, social, and governance (ESG) investment sees investors in the driving seat of corporate efforts to reduce GHGs. Our findings, however, suggest that only a subset of owners has the time horizons that are compatible with firms accommodating climate policy. This points to fundamental tensions between short-termism and corporate political behavior consistent with ESG goals. Recent findings support this: 60 percent of companies with net-zero or similar emission targets, which can improve ESG scores, use lobbying and other tactics to undermine climate policymaking by governments (InfluenceMap 2023).

Second, and relatedly, our findings raise questions about the role of institutional reform, including of corporate governance, to strengthen long-termism in corporate political behavior. Scholars, business, and civil society have called for reforms of capital markets to better incentivize firms to focus on long-term societal challenges (Jacobs and Mazzucato 2016; Lazonick and Shin 2019). In recent years, for example, US policymakers have sought the reform of corporate governance to strengthen the voice of labor, thus moving corporate governance into debates on social policy. Consistent with these efforts, our findings suggest that corporate governance reform is likely central to a broad range of long-term policy areas, including climate change.

#### Reluctance to make intertemporal trade-offs underproduces public responses to all existential threats.

Nicholas Chesterley 25, behavioural economist and public servant, PhD in behavioural economics from University of Oxford, Clarendon Scholar, SSHRC Doctoral Fellow, “1. Preparing for the Dry Years,” in Future-Generation Government: How to Legislate for the Long Term, McGill-Queen's University Press, May 20, 2025, unpaginated ebook

Government Short-Termism

This book seeks to understand why governments – across parties, countries, and times – frequently make decisions that benefit the present at the future’s expense. Too often action on long-term problems is delayed or postponed until a crisis suddenly makes them urgent. I argue that we have systematically incentivized our governments to be short-sighted and that we suffer as a result. Governments confronted with election cycles, short-term voters, a twenty-four-hour news cycle, and the deluge of information that accompanies the modern political world are constantly encouraged to focus on the present. Consequently, they discount the future too much, undervaluing benefits to future governments and future generations. We need to change the system and introduce what I call behaviourally informed governance to ensure politicians and governments have an incentive to not just respond to the problems of today but also the problems of tomorrow, and manage the risks accordingly. We need governments that develop solutions not just for the next four years but for the next hundred years. Preparing for droughts in advance is far less expensive than waiting until the water is gone.

As we shall see, government short-sightedness creates a range of problems for us, and especially for our descendants. If we overexploit fish stocks or other natural resources, we can permanently lose their bounty. New technologies we introduce may negatively impact our societies or environment. When we do successfully introduce initiatives 6with long-term benefits, such as reforms to health care or education, they can suffer from poor implementation after attention shifts or an election alters priorities. Of course, our personal decisions as well as those made by businesses, civil society, and other sectors all matter in shaping the future. But as the organization responsible for creating and enforcing the rules of our societies, as well as the largest employer and investor in most modern economies, government plays a unique role in navigating these concerns and protecting the future.

I was particularly struck by these issues during the COVID-19 pandemic. For a few years, all of us were affected by the pandemic in various ways, forced to change our behaviours and lifestyles as new waves hit or new public health measures were enacted. Yet in the twenty years before COVID-19 there were nine pandemics or close calls, from severe acute respiratory syndrome (SARS) to Ebola. Nonetheless, COVID-19 caught governments flat-footed. After the pandemic waned, government attention to the long-term issue of pandemic preparedness also fell quickly. As the former co-chairs of the Independent Panel for Pandemic Preparedness and Response noted in their 2024 report No Time to Gamble, despite the recent pandemic the world is neither sufficiently investing in pandemic preparedness nor is it prepared to stop a new outbreak from becoming a pandemic. The key issue identified in the report was a lack of sustained political commitment.

As I dug into the topic, it was clear this was a wider problem; it wasn’t restricted to pandemics and water reservoirs. A host of long-term problems are challenging us to do better, and we and our governments are at best only inconsistently responding to them. Consider a few examples:

Of the $100 billion spent on natural disaster aid by the international community between 1991 and 2010, 90 per cent was spent on response and reconstruction following the disaster.4 By one estimate, each dollar spent on disaster preparedness in advance mitigates about fifteen dollars in future damage.5

Fish stocks are plummeting, with over 90 per cent of them either fully exploited or overfished and total catches declining.6 Governments continue to provide as much as $22 billion a year in subsidies to increase fishery capacity. One study of US fish stocks estimated that tightening harvest restrictions would triple the net present value of the catch compared to current regulations by allowing the stocks to recover.7

7Biodiversity is falling at a faster rate now than any time in human history, with current extinction rates 100 to 1,000 times higher than the baseline.8

By 2040 almost 300 million people may have died from bacteria that have evolved to resist the drugs used to treat them, with economic damage of between $60 and $100 trillion. We continue to overuse antibiotics, though work has begun to address the issue.9

The Intergovernmental Panel on Climate Change (IPCC) regularly releases reports about the increasing impacts of climate change, often raised as an iconic example of the need for long-term policy, the closing window to taking action, and the poor progress governments have made in addressing it.10

The world is short approximately a trillion dollars a year in infrastructure investment, leading to crumbling bridges, roads, schools, and levees.11

For the first time in history, there are more people age sixty-five and older than there are children under five. The ongoing and dramatic aging of world populations holds tremendous implications for disease, family structure, pension plans, labour supply, and economies.

There is increasing anxiety over what are sometimes called existential threats, from nuclear weapons and asteroids to pandemics and artificial intelligence (AI), and not just among tech billionaires. One estimate of the risk of an event occurring that would destroy humanity in the next one hundred years is as high as one in six.12

Many other issues could also make the list, from the decline in democracy worldwide to government debt, underinvestment in education, and concerns over falling rates of innovation in our economies. Some of these are long-term problems that may not receive sufficient attention until a crisis emerges. Others are creating problems today but require long-term, sustained attention to address, of a kind that does not always align well with elections or news cycles.

The stakes are only getting higher. As the scale of impact from human decisions increases so do the potential consequences of not thinking beyond the present. Our scope for affecting our future, both positively and negatively, has never been greater, and the problems we face are increasingly long term. In many cases, such as geoengineering 8to prevent climate change or the development of AI, our future impacts are uncertain, especially in the very long term; we may be unsure of both the likelihood and extent of the harm we could cause. Given the potential scale and irreversibility of the damage we could do, some level of prudence and risk management seems wise. At the same time, being too risk averse and focusing insufficiently on innovation and the potential for significant, long-term gains is also problematic. Unfortunately, the long-term nature of our problems sits in tension with the short-term nature of our governments.

Doom is not inevitable, however. Our governments successfully plan for the future some of the time. Governments invest effort, money, and time into preparing for future problems or delivering programs that require long-term effort or attention. But there is room to improve.

As a behavioural economist, I turned to research on behaviour change and incentives to understand how we can do better. It is easy to criticize governments for short-termism, but politicians respond to the incentives and systems they are given. If we want politicians to act for the long term, we need to design our societies so that they give politicians incentives to do so. Much has been written about how governments should nudge their citizens to make better choices: encourage them to get more exercise, save more for retirement, and eat healthier foods by changing the structure of the choices they make. This book considers nudging in the opposite direction: what should incentives and nudges look like to motivate long-term thinking by governments and decision-makers?

This is not a question of right versus left. Liberal readers may be worried about climate change and low investment in education, while conservative readers may be concerned about the long-term impact of government deficits or the decline of the family. Both should worry that our governments seem largely unable to look beyond the present and effectively plan for the future. Right or left, it is in everyone’s interests to have thoughtful governments that work to anticipate problems before they arrive instead of putting off action until minor problems become crises.

#### Specifically emerging tech---extinction!

Michal Saliternik & Sivan Shlomo Agon 24, Saliternik is at Netanya Academic College School of Law; Agon is at Bar-Ilan University Faculty of Law, "Technological Developments and the Time Horizons of International Law," Proceedings of the American Society of International Law, vol. 117, 10/04/2024, pp. 161-165, HeinOnline

We live in a unique period in the world’s history, characterized by an ever accelerating pace of technological development. In diverse areas spanning artificial intelligence, quantum technology, synthetic biology, and outer space exploration, the velocity by which groundbreaking technologies nowadays emerge is unprecedented. Importantly, these technologies have the potential to funda- mentally change human life and the natural environment not only for better, but also for worse.1 They can enable longer, healthier, safer, and easier life for people around the globe while mitigating environmental degradation and natural resource depletion, but they may also be used in manners that facilitate oppression, violence, or inequality, or even present existential threats (think, for example, of advanced autonomous weapons, engineered pathogens, or over-exploitation of outer space resources).

The double-edge sword nature of emerging technologies, combined with the limited maneuvering space entailed by their rapid development, suggests that in order to realize their positive poten- tial and reduce adverse effects, we must adopt and implement appropriate regulatory measures well in advance. Such legal interventions should exist not only at the domestic level, but also at the international one, for technologies carry no passports, and their effects know no borders (and if they do, we might wish to remove them). The question that arises, then, is how to render interna- tional law fit for this purpose. Arguably, one of the main obstacles to regulating future technologies lies in the short-term inclination of international law. In what follows, this contribution presents international law’s short-term bias and discusses its sources. It then emphasizes the need to extend the time horizons of the discipline longer into the future, with a view to steering technological developments onto a positive course. Finally, it points to some possible avenues for moving in this direction.

I. THE SHORT-TERM PARADIGM

International legal thought and action tend to be confined by a short-term perspective. Under this temporal paradigm, international legal norms and institutions are devised with a view to solving present-day problems and generating immediate value, while downplaying more distant risks and opportunities. As the UN secretary-general recently put it, international decision- makers are “hobbled by a preference for the present,” often acting as if the “future is someone else’s problem.”2

This short-term pattern is prevalent in many areas of international law, most notably those that require accommodation to new technologies. Examples include arms control instruments, which regularly seek to address existing warfare methods rather than tackle evolving technologies ex ante; the World Trade Organization rules, which are not adapted to addressing the challenges pre- sented by e-commerce and digital economy, even though their prevalence was anticipated when the rules were negotiated; and the International Health Regulations, which were amended in 2005 in view of the conventional outbreaks of the day, but failed to address emerging threats such as genetically engineered pathogens. In all of these areas, international legal arrangements were designed to address the needs that existed at the time they were formulated, while failing to look ahead even into the problems of the subsequent decade.

Remarkably, even those international legal instruments (mainly soft norms) that explicitly refer to the future usually set forth short timescales that do not stretch beyond a decade or two. The Sendai Framework for Disaster Risk Reduction (2015–2030) provides an illustrative example. While this instrument represents an evolution compared to its predecessor, the Hyogo Framework for Action (2005–2015), in that it covers not only natural but also technological haz- ards, like its progenitor it is inherently short-termist, projecting only fifteen years ahead. The UN Sustainable Development Goals (SDGs) (2015–2030) similarly look only fifteen years into the future. Moreover, the SDGs’ forward-looking vision is constrained not only by its short time hori- zon but also by its limited substantive coverage, which “neglects the most extreme threats, such as engineered pandemics or transformative artificial intelligence.”3

Admittedly, long-termism is not entirely alien to international law. A long-term regulatory per- spective can be traced, for example, in the UN climate change regime, which seeks to address the emerging threat of global warming “for the benefit of present and future generations,”4 inter alia, by setting out long-term climate change mitigation goals.5 In the technological domain, a long- term orientation can be found in the OECD Recommendation on Artificial Intelligence, which aims to tackle the far-reaching effects of artificial intelligence.6 Such future-directed international legal instruments, however, are rather limited in their reach and scope, and they represent the exception rather than the rule. In its routine development and operation, international law tends to focus on near-term concerns, often to the neglect of long-term interests.

II. SOURCES OF SHORT-TERMISM

To be sure, there are many understandable reasons for international law to adopt a short- rather than long-term temporal outlook. Above all, regulating for the distant future raises serious episte- mic challenges. No one knows for sure what will happen next year, let alone what will happen fifty years or more from now. This uncertainty raises concerns about using inadequate regulatory tools and investing resources in vain on the basis of wrong predictions. Although the problem of pre- dicting the future also exists in the domestic context, in the international sphere, and in particular in the context of technological developments, it is exacerbated by the complexity and magnitude of emerging challenges and the multitude of actors and factors that may affect the way they unfold.

In addition to rational cost-effectiveness calculations, the fact that the future is unfamiliar may give rise to various cognitive biases, which may hinder international legal actors from pursuing long-term regulatory endeavors. 7 One such bias is the availability bias, which suggests that deci- sionmakers tend to assess the probability of events according to the ease with which such events come to mind, and are more likely to act upon scenarios that are easy to recall or imagine. 8 Since future technological developments are very different from their predecessors, and their nature and effects are often difficult to envision (Which ethical and legal challenges will synthetic biology raise? How will advanced artificial intelligence affect the global job market? What will be the implications of mass-scale outer space mining?), they are less likely to induce legal action than more vivid and concrete threats or opportunities.

However, even if future technological or other developments could be easily anticipated, rational, self-interested international lawmakers might prefer to focus on short-term challenges whose regulation yields immediate gains appreciated by their respective communities, rather than undertake long-term commitments for the benefit of future generations.9 Yet another obstacle to long- term regulation is presented by the fragmented, decentralized structure of the international legal system. Whereas immediate concerns can facilitate international cooperation and help states and international organizations overcome coordination problems, long-term global challenges provide weaker incentives for cooperation.

Although the tendency of international law to focus on immediate needs can be supported by plausible explanations, it is no longer sustainable. In an increasingly complicated and accelerated world, where technological innovations are rapid and tend to be disruptive rather than incremental, short-termism risks rendering the international legal system obsolete and incapable of effectively handling technological challenges when action is due. It is therefore high time to stretch the time horizons of the international legal system further into the future, and make long-term thinking and action an integral part of the system’s operation.

III. EXTENDING THE TIME HORIZONS OF INTERNATIONAL LAW

In recent years, philosophers and political scholars have shown growing interest in the concept of long-termism, associated with the view that in today’s world, more than ever before, we should be particularly concerned with ensuring that the long-term future goes well. 10 Long-termism requires us to regularly think about the future and prepare for it, while allocating the necessary resources in order to prevent harms and generate benefits. On this view, long-termism calls for intertemporal tradeoffs between maximizing social welfare in the short-term and investing in long-term interests. Yet, at least under its “weak” version, long-termism does not imply that the value of actions taken today is exclusively or primarily determined by their long-term effects. It merely asserts that these effects should be more seriously taken into account. 11 This long-term par- adigm rests on the intuitive premises that future people count; that the future, especially in the age of rapid technological changes, is vast in size and could allow for unprecedented value and dis- value; and that there are things we can do to steer the future onto a better course.12

#### Independently, corporate monopsony drives stagnant wages, creating structural conditions for slow growth and inequality.

Alex Domash 21 – Research Fellow, Mossavar-Rahmani Center for Business & Government, Harvard Kennedy School, “Returning Power to American Workers and Raising Wages: How Collective Bargaining Reform Can Help Restore America’s Middle Class,” 03/2021, https://www.hks.harvard.edu/sites/default/files/centers/cid/files/publications/CID\_Wiener\_Inequality%20Award%20Research/Policy%20Report\_Alex%20Domash%20(1-A).pdf

Since the early 1980s, labor’s share of national income has fallen in the United States, from an average of 64 percent between the postwar period to the early 1980s, to 58 percent in 2016 (Figure 1). The labor share represents the percentage of economic output that accrues to workers in the form of compensation – including wages, salaries, and benefits – and indicates the extent to which workers share in the economy’s output. A falling labor share implies a rising capital share, which means a greater portion of national income in the U.S. is being distributed to capital owners, rather than to workers. Since capital is heavily concentrated in the upper ends of the income distribution, this trend broadly reflects the rise in income inequality in the U.S.

Over the same period, the United States has seen a growing gap between worker productivity and workers’ wages. From 1979 to 2018, net productivity (output less depreciation per hour worked) rose by nearly 70 percent, while workers’ real hourly compensation increased by only 11 percent (Figure 2). The growing productivity-pay gap is directly related to the fall in the labor share, and suggests that workers are not being adequately compensated for the output that they have helped to produce. Over the last four decades, an increase in labor productivity has led to soaring corporate profits and the potential for substantial growth in wages, but these national income gains have largely accrued to capital and business owners, rather than trickling down to workers. Since 1980, real hourly compensation for the average American worker has grown by just 0.2 percent annually (Bivens et al. 2014).

Broad wage stagnation has directly undermined growth in living standards for middle class Americans. Among the bottom 90 percent of American households, labor income – including wages and wage-related income – comprises an average of 86 percent of total household income (compared to only 40 percent of total income for the top 10 percent of households). Sluggish wage growth thus contributes to stagnating living standards for the vast majority of American households (Gould, 2019). Capital income, on the other hand, is heavily skewed towards the top of the income distribution: the top 10 percent own about 70 percent of all capital, while the bottom 50 percent own less than 5 percent (Piketty, 2014). Taken together with the decline in the labor income share, these distributions can explain much of the growing income inequality in the United States – which is at its highest point since the Census Bureau began tracking the distribution of incomes in the 1960s (Block and Sachs, 2019).

The rise in inequality, fueled by sluggish wage growth, is a critical threat to economic growth, social mobility, and political equality in the United States. A wide-body of empirical evidence suggests that the current level of income inequality in the United States threatens both short-term aggregate demand and long-term economic growth. Since lower income households have a higher marginal propensity to consume than wealthier households, stagnant income growth for the middle class significantly reduces aggregate consumption, dampening economic growth (Rajan, 2011).. Business economists at Standard and Poor’s (S&P) even downgraded long-run U.S. growth prospects on account of high inequality (S&P Capital IQ, 2014). Inequality has also been shown to significantly reduce generation-to-generation economic mobility (Kopczuk et al, 2010; Corak, 2013; Chetty et al, 2014), a relationship which the late Alan Krueger called the “Great Gatsby Curve” (Krueger, 2012). This threat to social mobility even led current Treasury secretary Janet Yellen to question whether the rise in inequality is compatible with American values, when she declared in a 2014 speech, “I think it is appropriate to ask whether this trend is compatible with

“ I think it is appropriate to ask whether this trend [in wealth gains at the very top and stagnant living standards for the majority] is compatible with values rooted in our nation’s history, among them the high value Americans have traditionally placed on equality of opportunity ”

- Janet Yellen

values rooted in our nation’s history, among them the high value Americans have traditionally placed on equality of opportunity” (Yellen, 2014). Finally, rising inequality can have insidious effects on political power in America. Recent political science reveals how “the views of constituents in the bottom third of the income distribution receive no weight at all in the voting decisions of their Senators” (Druckman and Jacobs, 2015). The rise in income inequality thus presents an urgent threat to our democracy, and undermines the very political foundations of this country.

1. 2. Why has labor’s share of income decreased?

Five broad reasons have been proposed to explain the dual problems of stagnant real wages and the falling labor income share in recent decades (see Appendix 1 for a graphical representation of these five explanations):

Technological change: Advances in information technology and automation has caused a decline in the relative price of investment goods, increasing the elasticity of demand for labor and inducing firms to shift away from labor towards capital (Karabarbounis and Neiman, 2014; Autor and Salomons, 2018; Dao et al, 2017).

Increased globalization: An increase in trade and international outsourcing has led to offshoring of labor-intensive parts of the U.S. supply chain, reducing the elasticity of demand for labor and putting downward pressure on U.S. labor shares (Elsby et al, 2013; Abdih and Danninger, 2017).

Increased monopsony power: Increases in employer concentration and the proliferation of non-compete agreements (where employees are prevented from working for a firm’s competitors) has increased labor market frictions an

d reduced worker mobility. This has created a non-competitive market that allows firms some degree of wage-setting power – allowing wages to be set below the marginal product of labor. (Furman and Krueger, 2016; Benmelech et al, 2019).

Increased monopoly power: Higher barriers to entry and reduced market competition has led to high levels of inefficient market concentration, increasing aggregate firm markups well above the marginal cost of production (De Loecker et al, 2020; Covarrubias et al, 2019; Autor et al, 2020).

Decline in worker power: Institutional changes reducing unionization rates and workers’ collective bargaining power have led to a redistribution of economic rents (unearned profits above the marginal cost of production) from labor to capital (Levy and Temin, 2007; Bivens et al, 2018; Stansbury and Summers, 2020).

While economists disagree over the relative importance of each of these factors, there is general agreement that workers’ bargaining power has significantly eroded over the last four decades, and that this is responsible for at least part of the rise in inequality. Union membership – which has traditionally given workers the opportunity to bargain collectively with employers over wages, benefits, and workplace conditions – has drastically declined in recent decades. The percentage of workers covered by a union in the U.S. has fallen from nearly one third of the workforce in the late 1950s to only 10.5 percent in 2018, including a mere 6 percent of private sector workers (Bureau of Labor Statistics, 2018). In a recent paper, Lawrence Summers and Anna Stansbury declared that the decline in worker power “is one of the most important structural changes to have taken place in the U.S. economy in recent decades” (Stansbury and Summers, 2020). Studies have also shown that the decline in union membership has contributed directly to the sharp increase in income inequality. Bruce Western and Jake Rosenfeld found that the decline of organized labor in the U.S. could explain up to one third of the growth in inequality between 1973 and 2007 (Western and Rosenfeld, 2011).

The erosion of workers’ bargaining power in the U.S. can be attributed to three main factors: 1) institutional antagonism towards unions, 2) increases in shareholder power, and 3) structural changes in the economy. In recent decades, employers have become increasingly hostile to union organizing, and federal and state labor law amendments have made it increasingly difficult for workers to organize. Bivens et al (2017) find that when workers become interested in forming unions, 54 percent of employers threaten workers. Employees who engage in union organizing face a one in five chance of getting fired, and penalties for employers who violate workers’ rights during union drives have remained low and poorly enforced (Kleiner and Weil, 2010). Labor law rulings have also limited the ability of public unions to collect dues, sharply curbed union rights to picket and boycott, and have allowed states to expand so-called “right-to- work” laws, which make it more difficult for workers to form unions and have reduced state-level labor shares (Hazell, 2019). The second broad shift has been an increase in shareholder power and the rise of shareholder primacy, which has increased pressures on firms to cut labor costs, and has resulted in a large rise in outsourcing and subcontracting labor. Weil (2019) estimates that 19 percent of private sector workers are in industries where these “fissured” arrangements dominate – which makes it increasingly difficult for workers to organize. Finally, structural changes in the economy – including intensified globalization and the rise of automation – have increased the substitutability of workers. This has also contributed to a decline in workers’ bargaining power.

Trade unions in the U.S. have historically acted as an important way to bolster wages for lower- and middle-income families. Unions can increase wages both through their direct effect on union members, who earn an average union wage premium of around 15 percent (Rosenfeld, 2014) and through the “threat effect” of unionization for nonunion workers, which incentivizes nonunionized firms to offer better wages (Farber, 2005). A recent study on this “threat effect” estimates that nonunion private-sector men would have made about $3,172 more in 2015 if union density remained at 1979 levels (Denice and Rosenfeld, 2018). Harvard economist Richard Freeman and others have argued that the sharp decline in the number of people earning middle- class salaries over recent decades can be explained by the decline in union membership (Freeman et al, 2016).

But the overall impact of trade unions on productivity, employment, and firm investment is more mixed. Richard Freeman and James Medoff (1984) wrote the seminal paper on the economic impacts of unions, arguing that unions have “two faces”. One face of unions is to increase the collective voice of workers, which can increase worker productivity by lessening information asymmetries between employers and employees and reducing labor turnover. The other face of unions is the monopoly face, which can “raise wages above competitive levels” and lower worker productivity by creating “restrictive work practices.” Doucouliagos & Laroche (2003) conducted a meta-analysis of the effect of unions on productivity, and found a near-zero impact. The impact of trade unions on employment and firm investment is also mixed. Trade unions can increase employment if monopsony power is present and results in inefficiently low employment, or they may reduce employment if firms move up the labor-demand schedule and hire higher quality workers, or have less flexibility to adjust to macro-shocks (Blanchard and Wolfers, 2000). Some empirical evidence suggests that trade unions may decrease employment of low-skilled workers (Frandsen, 2012; Blanchard and Wolfers, 2000). Unions can also increase firm investment if they incentivize firms to increase investments in worker training (Acemoglu and Pischke, 1999), or reduce investment if union rent-seeking acts as a tax on firms’ return on investment (Connolly et al, 1986). Several empirical studies suggest that trade unions are likely to lower firm investment in physical and intangible capital and lead to slower growth (Addison and Hirsch, 1989; Lee and Mas, 2012).

The traditional trade union model may be ill-suited to deliver broad gains to workers in the 21st century economy. Intensified globalization and competition from abroad leaves unions with little bargaining power when negotiating with multinational employers, or when trying to transform conditions along a long supply chain. The proliferation of outsourcing, subcontracting, and gig employment also leaves a growing share of the workforce outside the reach of unions. On the political front, increasing employer opposition to unionization has made it exceedingly difficult for unions to secure a first contract, even when workers do vote for a union. When employers strongly oppose the organizing effort, only 10 percent of petitions for union election result in the union successfully securing an initial contract (Ferguson, 2008).

Given these economic and political changes, new innovations in labor law are needed.

1. 3. How can labor law address the decline in worker power?

The cornerstone of U.S. labor law, the National Labor Relations Act (NLRA), was passed in 1935 to safeguard workers’ right to organize and bargain collectively – but it fails to fulfill its objective in today’s economy. Even at the time of its adoption, the NLRA only extended collective bargaining rights to statutorily defined employees – which excluded domestic workers and agricultural laborers from the Act’s coverage. Today, that exclusion also restricts independent contractors and other gig-economy workers from having any collective bargaining rights. In total, roughly 20% of private-sector workers are denied collective bargaining rights (Block and Sachs, 2019). But even where workers’ bargaining rights are statutorily covered, the fundamental changes in the structure of the economy since the 1930s have left an ever-increasing number of American workers without any effective means to collectively bargain. In 2017, only 10 percent of all workers were covered by a collective bargaining agreement – the second lowest coverage rate across the OECD.

Given the shortcomings of the NLRA, a growing number of economists, legal scholars, advocates, and trade union federations have called for comprehensive federal labor law reform. Thomas Kochan, an expert in industrial relations at MIT, has argued that U.S. labor law “has been broken for so long” that we need a “fundamentally new structure of labor law” (Dyer, 2019). The Clean Slate for Worker Power initiative at Harvard Law School also released a 2020 report calling for a comprehensive overhaul of labor law, and Kate Andrias, a law professor at the University of Michigan, and David Madland, an economist at the Center for American Progress, have recently proposed completely modernizing labor law to satisfy workers’ needs in the twenty- first century.

This report will focus on one specific feature of U.S. labor law – the bargaining unit – and argue that the enterprise-based bargaining system used in the U.S. is fundamentally broken. While most industrial democracies empower unions to negotiate for workers on a sectoral or regional basis, U.S. labor law channels negotiations about wages and benefits to the firm level (Andrias, 2017). Section 159 of the NLRA states: “The unit appropriate for the purpose of collective bargaining shall be the employer unit, craft unit, plant unit, or subdivision thereof” (NLRA, 1935). Enterprise-based bargaining (sometimes referred to as firm-level bargaining or decentralized bargaining) has the following three structural defects:

Three structural defects of enterprise-based bargaining

1. High rates of exclusion – Enterprise bargaining leaves millions of workers without any collective bargaining coverage.

2. Unresponsive to the changing structure of the labor market – Enterprise bargaining is structurally incompatible with a labor market characterized by fissured employment relations and intensified globalization.

3. Incentivizes conflict in the workplace – Enterprise bargaining creates a competitive disadvantage for employers, which provides an incentive to fight unionization efforts.

Any reforms to federal labor law will undoubtedly face large political resistance in the U.S. Trade associations such as the U.S. Chamber of Commerce, and powerful corporations like Amazon, are steadfast in their commitment to undermine the rights of workers to organize and bargain collectively. Legislation to strengthen workers’ collective bargaining power is therefore sure to meet resistance, as has been evidenced by the recent political battle over the Protecting the Right to Organize (PRO) Act in Congress. But collective bargaining is a fundamental right of workers, enshrined in both domestic and international labor law, and is the cornerstone of a democratic and fair workplace. Our federal labor law therefore must be amended to uphold this basic right in a changing twenty-first century economy. Moreover, as this report will show, collective bargaining reform can be designed in a specific way such that workers can receive a greater share of economic output, while negative effects on firm productivity and profits are minimized.

#### Taking wages out of competition sends capital to more productive companies and increases firm innovation.

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In its influential state-of-the-art study, the OECD (2019a) demonstrates that countries with multilevel bargaining systems (varying by the type and degree of their coordination) have experienced stronger labour market performance than countries with decentralized bargaining in recent years. Both the unemployment rate and the employment rate register stronger performance, especially for countries with strongly coordinated multilevel systems.

Co-ordinated bargaining systems are associated with higher employment and lower unemployment relative to fully decentralised systems […]. This is particularly the case for predominantly centralised systems, while for organised decentralised systems the result on unemployment is somewhat smaller and less robust. Centralised but weakly co-ordinated systems and largely decentralised systems hold an intermediate position, with better employment outcomes than in fully decentralised ones but similar unemployment outcomes. (OECD 2019a, 112).

This result of better labour market performance is confirmed by other studies that analyse similar or different groups of countries (for example, Brandl 2023a; Eurofound 2023; Visser 2013). Moreover, these indicators are inclusive of all groups of workers, which refutes claims made in earlier studies that strong unions necessarily advantage “insiders” at the expense of “outsiders” (Lindbeck and Snower 2001). The OECD data show that countries with multilevel bargaining systems are also associated with better labour market outcomes for relatively disadvantaged workforce groups. Figure 2 shows that the unemployment rates of youth, women and low-skilled workers are either significantly lower than, or no different from, countries with decentralized bargaining.

2.3.  Economic performance

There is a long-standing body of theoretical and empirical work that focuses on the economic effects of different collective bargaining structures. Ideas and evidence have shifted over time from positive support for more centralized bargaining systems in the 1970s to a questioning of the macroeconomic performance effects of multilevel systems in the 1980s, followed by a divergence of viewpoints in the early 2000s (for a review, see Grimshaw and Hayter 2020). Today, there is near consensus that bargaining systems have limited influence on macroeconomic performance (compared to capital investment and systems for innovation and skill development, say), but positive effects on firm and sectoral performance, including productivity and innovation (Brandl and Braakmann 2021; Doucouliagos, Freeman and Laroche 2017; Grimshaw, Koukiadaki and Tavora 2017). The OECD’s view, consistent over the last two decades, is illustrative of the mainstream viewpoint regarding macro-level effects: “The overall fragility of the evidence linking collective bargaining to macroeconomic performance suggest[s] that great caution should be exercised when attempting to draw guidance for making policy choices from this research” (OECD 2004, 133).

In their comprehensive European study of inter-country productivity effects, Brandl and Braakmann (2021) find that multilevel bargaining is a necessary condition for delivering productivity growth. They show that:

(i) Enterprise bargaining and coordinated multilevel bargaining both generate higher productivity growth than either absent collective bargaining or uncoordinated bargaining; and

(ii) Strongly coordinated multilevel systems have superior productivity effects. Three types of vertically coordinated systems are especially effective: enterprise-sector systems, sector-national systems and enterprise-sectornational systems.

The OECD’s (2019a) analysis of firm-level productivity effects confirms the classic study by Freeman and Medoff (1984), namely that union presence (a key determinant of collective bargaining) tends to impact positively on organizational productivity by reducing voluntary worker turnover and increasing tenure and firm efficiency. Evidence for Latin America is also mostly supportive. Drawing on World Bank Enterprise Survey data, Rios-Avila (2014) finds that the impact of union presence on firm productivity in the manufacturing sector is positive in Chile, Mexico, Panama and Uruguay, but neutral in Bolivia and negative in Argentina. The most recent meta-analysis, covering 111 studies on union and productivity levels (mostly from the United States and the United Kingdom), found that, overall, unions have a small but positive effect on productivity (Doucouliagos, Freeman and Laroche 2017). Except in the case of the United Kingdom, the findings “reject the neoclassical economics view that unions are invariably harmful to productivity” (ibid., 70). A summary of selected empirical results from this research shows that:

(i) Where unions are autonomous, organized at industry level and nonparochial (that is, not focused on defending job territories), they are more likely to have positive productivity effects;

(ii) The presence of multiple unions at establishment level may be adversely associated with productivity levels;

(iii) Countries with sectoral bargaining structures display a positive relationship between union strength and productivity growth, while this relationship is neutral for countries with enterprise-level bargaining.

Sectoral bargaining can be particularly beneficial for companies that are technology leaders. As less innovative and unproductive firms are pushed out of the market by standardized sectoral wages, more innovative firms can capture their market share. These positive incentives for management to compete on organizational and/or technological innovations, rather than labour costs, are beneficial for the long-run productivity and competitiveness of industries and countries (see, for example, Bloom, Sadun and Van Reenen 2017; Doucouliagos and Laroche 2003; Scarpetta and Tressel 2004; Wachsen and Blind 2016; Willman 1986).

#### Slow growth causes fear of rising challengers, driving a xenophobic policy agenda that escalates conflict.

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The developing world is even more hard hit economically despite the fact that the worst forecasts of large-scale deaths in Africa and Latin America never come true. Death tolls resemble those in the West. The virus weakened as its moved south and the youthful populations—many of whom suffered minor symptoms— diminished the contagion. With the major economic powers hard hit, recovery is extremely difficult. Commodity prices remain low, hurting those developing countries that are dependent on the export of minerals, oil, etc. Chinese investments help, but CPC leaders are wary of providing much assistance largesse for fear the Chinese public is angered while conditions remain hard at home. Popular discontent against the CPC rises with China’s faltering domestic economy.

As during the Great Depression, there are many false starts, giving the illusion that the corner is about to be turned, justifying governments’ stubbornness in persevering with failing policies. Unlike in the 1930s, there is enough of a social safety net that discontent is contained despite slowly sinking standards of living in much of the world. The other is always to blame. Sino-American tensions escalate to an all-time high. The United States takes strong protectionist measures against China and Russia for their “disinformation,” deciding finally to erect a firewall against the two. Observers think the United States is preparing for a cyber war against China and Russia.

By the mid-2020s, deglobalization is speeding up, yielding slow economic growth everywhere. Poverty levels are rising in the developing world and there is the potential for open conflict between the United States and a China-Russia alliance.

#### Economic equality is a societal immune system against existential risks like climate change, nuclear war, misaligned AI, and bioengineered viruses.

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Short-term effects

We now assess the direct, static effects of income inequality on aggregate wellbeing. To this end, we limit the effects we consider under Instrumentalism to the next 50 years.

So how do income and income inequality affect well-being in the short term? Drawing on recent work in economics and psychology, we can go beyond speculation (Kahneman and Krueger, 2006).

More than 40 years ago, Richard Easterlin observed a strange trend: household income predicts cross-sectional differences in life satisfaction within countries, but average national life satisfaction did not seem to rise when a country grows wealthier over time (Easterlin, 1974). Generating much debate, some have tried to explain the so-called Easterlin Paradox, for example by pointing to relative income and social status: because we prefer earning more relative to others, life satisfaction increases cross-sectionally but not intertemporally (Clark et al., 2008; Ferrer-i-Carbonell, 2005). However, others have challenged Easterlin on the data. With more and better data it seems more likely that there is a logarithmic and statistically significant relationship between life satisfaction and GDP over time (Sacks et al., 2012; Stevenson and Wolfers, 2008, 2013).9

For our purposes, what matters is that most authors agree that (1) the cross-person within-country relationship between life satisfaction and income is statistically significant and logarithmic and that (2) the cross-country relationship between life satisfaction and income is statistically significant and logarithmic. As we here consider the short term only, that is enough to support the decreasing marginal utility effect.10 Based on cross-sectional data, Stevenson and Wolfers find that a doubling of annual household income leads to an increase in life satisfaction of around 0.3 points (Stevenson and Wolfers, 2013: 14). But this holds for any doubling (up to a potential upper bound): increasing Alice's income from 10,000 to 20,000 USD is expected to deliver the same increase in life satisfaction as doubling Bob's income from 80,000 to 160,000 USD. In other words, raising Alice's income is eight times more efficient than raising Bob's income. Since the life satisfaction curve with respect to annual household income is concave, aggregate life satisfaction can typically be increased through more equal economic distributions.11

The decreasing marginal utility effect still holds, and is likely stronger, if we focus on ‘experience wellbeing’. Experience sampling asks respondents at random times how happy they feel. In an influential study, 1000 participants were asked whether they experienced positive emotions yesterday (Kahneman and Deaton, 2010). The proportion of people that answered affirmatively again increases logarithmically with annual household income. The speed with which marginal utility diminishes is probably higher for experience utility than for life satisfaction.12 Stevenson and Wolfers also report larger coefficients for the relationship between income and life satisfaction than for the relationship between income and experience wellbeing (Stevenson and Wolfers, 2008). Any recommendation to reduce income inequality based on decreasing marginal life satisfaction could hence be conservative.

Beyond the marginal utility effect, inequality could affect aggregate short-term well-being through other pathways, such as perceived unfairness. Several recent studies find that developed countries display a negative relationship between domestic income inequality and life satisfaction, after controlling for household income (Blanchflower and Oswald, 2003; Ferrer-i-Carbonell and Ramos, 2012; Gruen and Klasen, 2013). Oishi et al. report a ‘negative link between income inequality and the happiness of lower-income respondents [that] was explained not by lower household income, but by perceived unfairness and lack of trust’ (Oishi et al., 2011: 1).13

We have so far looked for direct evidence of how static inequality affects wellbeing. Alternatively, one could assess how inequality affects other valuable outcomes. For example, research suggests more equal societies have better somatic and mental health, higher levels of trust, better educational outcomes, and less crime (Marmot, 2005; Pickett and Wilkinson, 2015; Wilkinson and Pickett, 2010). Much has been written in social science and epidemiology debating how strong the evidence is and whether correlations might be spurious, due to a confounder or reverse causality.14 We need not settle those disputes here. Plausibly, when we combine all this research, and aggregate our respective credences, we still have reason to believe equality furthers desirable social outcomes. And we can believe so, even if not all causal effects hold up. This has two implications. First, the case for equality's short-term instrumental value could be made using values other than wellbeing. Second, this research might also indirectly support the conclusion that, in the short term, reducing inequality increases aggregate wellbeing, as goods like health are likely conducive to wellbeing (including across different theories of wellbeing).

Overall, reducing inequality is instrumentally valuable in the short term. The rate at which marginal utility diminishes in developed countries is large. So, the positive marginal effects of reducing inequality are likely large too. Relational factors like perceived unfairness and other potential interactions, like health and social trust, further support the short-term instrumental case.

Medium-term effects

Let us now move on to the intertemporal effects of income inequality up to the medium-term future. To this end, we consider – again, somewhat arbitrarily – effects on wellbeing that happen within the next 500 to 1000 years.

Do we have instrumental reason to support economic equality in the medium term? Consider first an argument against inequality that builds on the argument in the previous section.

First, the short-term case likely extends, in some way, to the medium term. Economic inequality likely creates some path dependence such that inequality now will entrench some inequality in the future. For example, Acemoglu and Robinson argue that economic distributions will also affect distributions of political and de facto legal power which in turn further affect future economic distributions (Acemoglu and Robinson, 2008, 2013; Chong and Gradstein, 2007). Moreover, high inequality likely reduces egalitarian norms and ideals and can make a society more tolerant of inequality (Birdsall, 2001: 25–6). Finally, countries with high inequality typically have lower social mobility leading to intergenerational transmission of inequality (International Panel on Social Progress, 2018: 94–6). Therefore, high inequality today increases the chances of high inequality tomorrow. And, seeing that inequality lowers wellbeing statically, inequality now raises the chances of inequality lowering future wellbeing too.

A second argument is that, because inequality lowers short-term wellbeing, we only need to establish that it does not have adverse effects in the medium term. Absent any adverse effects, the short-term positive effect becomes the tiebreaker. However, there are several potential arguments why inequality reductions could yield negative intertemporal effects, potentially big enough to outweigh short-term gains. We now consider two candidates: inequality's effect on growth and climate change.

Growth

In a recent book, Cowen argues that if we seriously value future welfare, high and sustainable economic growth rates should be our main objective (Cowen, 2018). And there are good reasons to consider growth relevant from a medium-term perspective. Because of the exponential nature of economic growth, small changes in yearly growth rates might cause massive changes in welfare in the long run. For example, ‘had America grown one percentage point less per year between 1870 and 1990, the America of 1990 would be no richer than the Mexico of 1990’ (Cowen, 2004: 127–8). Cowen argues that economic growth increases wealth, health, life span, spare time, access to a whole range of technological resources, mobility, level of education, and more (Cowen, 2018: 19–33).

As we saw above, there is still some discussion to what extent such benefits translate into increases in well-being. For the sake of argument, assume there is a logarithmic relationship between within-country GDP growth and average life-satisfaction. Suppose for the moment that a doubling in GDP over time results in a 0.1 increase in average well-being measured on a ten-point scale and a country's growth rate is constant at 3% per year. Under such a growth rate, it takes 235 years for GDP to double 10 times, resulting in an increase in average well-being of a full point. After 500 years, GDP has doubled more than 20 times, increasing average well-being by more than 2 points (we should probably abandon the ten-point utility scale by that point). If instead, the growth rate was constant at 4% per year, GDP would double 10 times 50 years earlier. After 500 years, the difference in average well-being under the two respective growth rates approaches one whole point.

If egalitarian policies lower growth, as Cowen argues, there could hence be a strong medium-term instrumental reason against reducing inequality (Cowen, 2018). However, it is unclear whether inequality-reduction does in fact reduce growth. Indeed, some mechanisms seem to reduce growth, while others seem to increase it. Consider, briefly, the main mechanisms suggested in the literature.15

More inequality may decrease economic growth: first, stark inequality might reduce institutional quality, for example, by reducing social capital, trust, and investment in public goods and by facilitating elite capture of public institutions (Alesina and La Ferrara, 2002; Alesina and Perotti, 1996; Birdsall, 2001; Chong and Gradstein, 2007; Glaeser et al., 2003; Keefer and Knack, 2002; van Bavel, 2016). Second, inequality might lead to underinvestment in human capital, especially among poor citizens (Birdsall, 2001; Ghatak and Jiang, 2002). Finally, inequality might reduce the size of the middle class, which could lead to insufficient domestic demand (Foellmi and Zweimüller, 2006; Galor and Moav, 2004; Murphy et al., 1989; Zweimüller, 2000).

Conversely, some hypothesise that more inequality may increase economic growth by incentivising citizens to work hard, take risks and invest in their future (Kornai, 1992; Li and Zou, 1998) and by leading to less income being spent on consumption, thereby increasing aggregate savings and investment (Kaldor, 1955).

How should we assess those suggested effects? One option would be to probe them all in detail. However, given space constraints, we instead survey attempts to determine their aggregate effect directly. Frederico Cingano provides an extensive literature review (Cingano, 2014). Unfortunately, Cingano finds no consensus. Between 1994 and 2014, studies that find positive relationships between growth and inequality are about as prevalent as studies that find negative relationships. To make things more complicated, the Deininger and Squire dataset most often used in this period may be unreliable and inconsistent, and inequality data from different countries is often incomparable (Atkinson and Brandolini, 2001). Several studies might also suffer from endogeneity problems. Statistical methods usually cannot fully account for the potential of reverse causality and omitted variables.

Perhaps the most promising empirical study to date has been conducted on behalf of the OECD by Cingano (Cingano, 2014). It only includes OECD countries, which is fitting for our current purposes. Cingano also uses particularly good and comparable panel data. The OECD dataset further enables the use of multiple different inequality indicators, whereas other studies must rely on a single indicator. Cingano finds that income inequality has a sizeable negative effect on economic growth in OECD countries. A 1-point reduction in Gini coefficient is associated with an increase in yearly GDP growth of around 0.15%. This effect seems to be linear. As Cingano writes: ‘in practice, no […] non-linearity was found – the effect on growth of an increase in inequality from 20 to 21 Gini points was found to be the same as the effect of increasing the Gini from 40 to 41’ (Cingano, 2014: 19). The data also suggest that the gap between low-income households and the rest of the population is of key importance. Strikingly, low-income households are defined here as those in the bottom 40% of the income distribution. Inequality caused by the very rich getting even richer is not found to hamper growth. These results suggest that solely focusing on alleviating poverty or lowering the incomes of the very rich is suboptimal. Instead, growth can be increased by addressing low incomes more broadly. Given the existence of contradicting studies, we should take Cingano's conclusions with a grain of salt (see International Panel on Social Progress, 2018: 98). Yet we conclude that it is rational to assign a higher credence to believing income inequality reduces growth in developed countries than that it boosts it.

Climate change

The critical reader might point out that Cowen's argument in favour of growth is based on sustainable growth. If combating inequality leads to higher growth rates, and if growth increases greenhouse gas (GHG) emissions, more equality might increase GHG emissions and thereby decrease future wellbeing. From a medium-term perspective there is of course good reason to consider climate change. In expectation, the effects of climate change are likely net-negative on aggregate future wellbeing in the medium term. For example, the Intergovernmental Panel on Climate Change identifies several high-confidence risks for the medium term, including increased morbidity and mortality, frequent flooding and natural disasters, food insecurity, freshwater shortages, risks to livelihoods, and vast economic costs (Pörtner et al., 2022).

Many studies indeed find a positive relationship between GDP and carbon emissions, although the estimated effect sizes tend to be bigger for developing countries than for rich nations (Acaravci and Ozturk, 2010; Holtz-Eakin and Selden, 1992; Ramanathan, 2006). Unfortunately, these studies do not control for inequality. Furthermore, since aims to reduce emissions have been widely embraced by developed nations, we cannot simply extrapolate previous findings. It is hence difficult to draw immediate conclusions from the apparent link between GDP and a country's carbon footprint. We can, however, investigate the direct relationship between domestic income inequality and a country's carbon emissions after controlling for GDP. A few early studies have found a negative relationship between income inequality and national carbon emissions (Heerink et al., 2001; Ravallion et al., 2000). Later research showed a nonsignificant relationship instead (Gassebner et al., 2011). Recently, larger datasets have become available and an early consensus has emerged. In the last decades, the association between income inequality and carbon emissions in high-income countries has shifted from negative to positive, suggesting that in recent years, more income inequality increases carbon emissions. In lower-income nations, however, the relationship has stayed negative (Grunewald et al., 2012; Jorgenson et al., 2015, 2016).

Grunewald et al. provide an explanation of the negative effect found in low-income countries (Grunewald et al., 2012). In low-income countries, many poor citizens effectively live outside the carbon economy. If inequality in such countries decreases, previously poor citizens become richer and start to emit carbon (for instance, they might buy their first car). In rich countries, most citizens are part of the carbon economy already. So, this negative contribution is not observed. Conversely, multiple pathways could explain the positive effect recently found in wealthy nations. First, high inequality may encourage conspicuous consumption as the fight for material status increases. Moreover, average working hours tend to increase as inequality rises (Bowles and Park, 2005). In addition, longer working hours might be associated with a larger carbon footprint (Fitzgerald et al., 2015; Knight et al., 2013). Second, income inequality may also increase a nation's carbon emissions by eroding social trust. In unequal countries, citizens might be less tempted to start pro-environmental social movements or promote socially responsible behaviour (Cushing et al., 2015). Third, concentration of economic power and, with it, political power can prevent pro-environmental action and regulation (Knight et al., 2017). Which pathway is most influential, and which one holds up empirically, does not matter much here. For empirical data and theory seem to point in the same direction: improving conditions for the bottom 40% of households might boost growth more sustainably than relying on other pro-growth mechanisms. So, if anything, a concern around climate change also supports economic equality.

Overall, we likely have medium-term instrumental reason to reduce inequality in developed countries. Inequality today is likely to cause inequalities in the future, which in turn lowers expected future wellbeing. Moreover, inequality likely increases GHG emissions and is somewhat likely to lower medium-term growth rates.

Longtermism and existential risk

We now move on to assess the effects income inequality might have on aggregate well-being in the very long term. To this end, we assign equal value to all well-being regardless of when it is experienced. That is, all future agents are included in Instrumentalism's timeframe. However, before we do the analysis, a short philosophical intermezzo is in order.

First, as mentioned above, longtermism has recently emerged as a research programme on future generations (Beckstead, 2013; Greaves and MacAskill, 2023; MacAskill, 2022; Ord, 2020; Schmidt and Barrett, 2023). The first longtermist claim is that, in expectation, most ethical value lies in the long-term future, where this encompasses the entire future of human-originating civilisation, including millions or even billions of years from now. Across the entire future of humanity, future people could outnumber today's people by many orders of magnitude. The second claim is that some of our actions affect the expected value of the long-term future. Accordingly, the ethical value of at least some actions will then primarily be determined by their expected long-term future effects. In our case, longtermism would imply that if we find that equality has such long-term effects in expectation, those could trump the short-term instrumental value that is more commonly the subject of discussions around inequality.16

Now, an obvious worry about longtermism is epistemic: can we ever make any meaningful predictions about effects in the very long-term future? The worry is not that we do not impact the long-term future but that we cannot rationally predict how.17 Longtermists respond by giving examples of actions where, in expectation, it seems irrational to remain indifferent regarding their effects on the long-term future. There are broadly two types of interventions: (i) existential risk interventions seek to extend the length of human existence by reducing the risk of humanity or ‘Earth-originating intelligent life’ going extinct; (ii) trajectory change interventions seek to increase the probability that, conditional on existing, humanity sets out on valuable rather than disvaluable long-term trajectories.

Starting with existential risk, it seems plausible that some policies change overall existential risk. When devising a nuclear defence strategy, for example, it would be irrational to ignore its potential impact on existential risk. Focusing so much on existential risk might seem esoteric or unusually gloomy. But, from a longtermist perspective, extinction is supremely bad in expectation, as it would destroy a potentially very long and valuable future.18 Moreover, while of course highly uncertain, expert analysis and informal polls among experts suggest an existential catastrophe might be higher than commonly believed, with estimates of 10%–20% by the end of the century not being uncommon (Ord, 2020; Sandberg and Bostrom, 2008).19 Moreover, the bulk of such percentages stem from human-induced existential risks such as nuclear war, bio-engineered pandemics, and misaligned artificial intelligence. This being so, it seems likely we can affect these probabilities by a non-negligible amount.

Beyond existential risk, it also seems plausible that some actions and policies might affect the probabilities of long-term trajectory change. Long-term trajectories are paths human civilisation takes into the long-term future (Baum et al., 2019). Those trajectories might be highly positive. For example, technological and social progress might enable great improvements in human wellbeing. Or humanity might successfully expand into space and vastly increase the number of flourishing lives. In a less rosy future, humanity might get stuck in a civilisational state of much lower value than the status quo or alternative feasible trajectories. In a longtermist analysis, we thus need to see whether policies would affect the probabilities of long-term trajectory change. For example, extreme climate change might require costly responses for a very long time. And some catastrophic events, like a nuclear war or a bioengineered pandemic, might not lead to full extinction but be so devastating that humanity never fully recovers its civilisational potential. MacAskill also argues that what moral and social values we have can be quite persistent across time. Yet what values societies adopt is more contingent than we often think (MacAskill, 2022: 3). ‘Moral change interventions’ might thus be valuable from a longtermist perspective. Conversely, adopting the wrong values is highly negative in expectation, particularly given potential risks that such values could be locked in for a long time (MacAskill, 2022: 4). One risk hereby revolves around artificial general intelligence (AGI): if the goals AGI pursues are badly misaligned or if AGI would be used by authoritarian governments to fortify their power, the wrong values could be locked in for a long time.

So, a longtermist analysis of inequality will get off the ground, if we find considerations why inequality could affect overall existential risk or the probability of long-term trajectory-change. Of course, such considerations will be far more speculative than is common in academic research. Methodologically, our assessment of the evidence is broadly ‘Bayesian’ in spirit. One way to proceed would be to include only the most rigorous studies with highly reliable results and exclude all others. However, for longtermist assessments we cannot afford this luxury. Research that empirically tests human extinction is unlikely to get ethics approval. Yet the paucity of rigorous evidence and our epistemic uncertainty does not justify ignoring the long-term future. Rather, we include empirical considerations even when our credence in them should be low (and maybe imprecise). However, when analysed, and when we aggregate our credences (informally), such considerations still justify updating our credence on whether less inequality is more likely to have good or bad long-term effects.

Long-term effects

To assess the long-term effects of domestic income inequality in developed countries, we assume that all future wellbeing matters equally, even value experienced thousands of years into the future. Our contention is that inequality reduction makes a positive marginal difference to the expected value of the long-term future, primarily because it is more likely to decrease rather than increase existential risk. Our somewhat preliminary conclusion is thus that longtermists should favour inequality reduction.

We discuss several reasons for why inequality might have negative effects and one reason why it might have positive effects. The negative effects we discuss are climate change, the effect of inequality on public institutions, conflict and polarisation, and differential progress. The potential positive effect we discuss is that if inequality lowers growth rates, and if growth increases existential risk, then inequality could lower existential risk.

Climate change

As we learned in Short-term effects, inequality increases a wealthy country's carbon footprint. This is a problem. Climate change, as mentioned above, not only reduces wellbeing in the medium term, there are also longtermist reasons against it.

First, climate change itself is an existential risk, particularly given uncertainty around its tail-end risks (Ord, 2020: 4; 6). (Although, it is likely not the greatest existential risk (Ord, 2020: 5)).

Second, climate change is likely what Ord calls a ‘risk factor’: increasing or reducing climate change will likely affect the total existential risk, even beyond the probability that climate change itself will cause an existential catastrophe (Ord, 2020: 152). For example, increasing temperatures and more extreme weather imply that the fight for scarce resources such as sweet water will increase over the next decades (Global Peace Index 2019: Measuring Peace in a Complex World, 2019). Furthermore, deteriorating living conditions might lead to climate refugees who, in part, will flee to developed countries, which could lead to institutional destabilisation and conflict.

Finally, beyond extinction risk, climate change could put us on a suboptimal (non-extinction) trajectory: run-away climate change, for example, might put us on a path we cannot easily leave and which necessitates continuous costly adjustments, such as adapting to repeated flooding and adjusting agriculture to extreme weather irregularities. When aggregating those negative effects across time, those might add up to significant long-term costs.

Institutional quality and conflict

It is often argued that a country's long-term performance depends to a significant extent on the quality of its institutions, including its political and legal institutions (Acemoglu et al., 2005). Economic research mostly focuses on explaining long-term differences in growth rates. As seen above, some researchers argue that high inequality will reduce growth rates, among other things, because it can worsen institutional quality. However, besides facilitating economic growth, public institutions have other functions that matter from a long-term perspective. For example, disaster preparedness, education, public health, foreign policy, science policy, and many other areas could influence the expected value of the long-term future. If such things go badly, they could increase existential risk. Conversely, good institutions will help reduce existential risk. For many existential risk reduction strategies likely require public goods and collective action, which in turn require good public institutions (among other reasons, because some such public goods are unlikely to be provided by markets). So, it seems reasonable to assume that, with most other societal goals, good institutions can help deliver existential risk reduction. Here is a cheesy analogy: targeted actions like washing your hands regularly or getting a flu shot can reduce your risk of dying from an infection. But you will also do well investing in a strong immune system, as that is an ‘all-purpose good’ in lowering your risk of dying from any bacterium or virus. Investing in good institutions might similarly be an all-purpose-good: rather than tackling individual sources of existential risk directly, we improve conditions for tackling whatever existential risks may come our way.

There are several reasons why higher inequality could weaken institutional capacities for longtermist public goods.

First, there is some direct evidence that, whatever the causal pathway, inequality reduces institutional quality (which in turn typically leads to more inequality) (Chong and Gradstein, 2007; Savoia et al., 2010).

Second, high inequality can lead to elite capture. Empirical work on studying political and de facto legal power is difficult, yet there is a growing consensus that high levels of inequality can lead to elite capture and thereby reduce the long-term quality of legal and political institutions (Acemoglu and Robinson, 2008, 2013; Bartels, 2018; Chong and Gradstein, 2007; Cummins and Rodriguez, 2010; Savoia et al., 2010; van Bavel, 2016). Further, if institutions are disproportionately geared towards elite interests, then they might be less likely to be geared towards positive long-term trajectories. We might see more rent-seeking and less investment in public goods. Moreover, if elite capture is strong enough, such capture, and the potential inequality that comes with it, can intensify going forward (Chong and Gradstein, 2007).

Now, one might object and wonder whether elite interests and longtermist interests will necessarily be misaligned. Could an enlightened elite not even be more longtermist than a more democratic system? Here are two potential arguments. First, wealthy donors fund a significant part of research and direct action on existential risk and longtermism (the Open Philanthropy Project, for example). Indirectly, inequality might thus reduce existential risk through such funding. Second, rich people might have a lower rate of pure time preference than less well-off people, which might make them more aligned with investing in long-term causes.

In response to the first argument, remember we here focus on income inequality reductions. Private funding only requires ‘enough’ wealth inequality going forward, it need not require elite capture. And reducing income inequality is unlikely to eradicate the required wealth inequality and the existence of big donors. In response to the second argument, we are sceptical that elite capture would translate a lower impatience rate into longtermist strategies in policy. First off, a successful transmission would require influence to be systematic and well-coordinated across time and, probably, across different elite actors. Yet lobbying and elite influence must often capitalise on shorter windows of opportunities, which makes well-coordinated intertemporal policy capture less likely. Second, even if rich people have a lower impatience rate in the sense that they might care more about returns on investment rather than direct consumption, this is quite different from being concerned with the far future. It would be a coincidence if being concerned with getting a good return in the next years (or even decades) on my own investment converged much with policies that protect the interests of far-future people.

Of course, such considerations are speculative. But, in any case, we think that, on balance, there are stronger reasons to believe elite capture would increase – rather than decrease – existential risk. First, elite capture often comes with rent seeking, which lowers institutional quality (Chong and Gradstein, 2007). Second, industries like oil, gas, weapons and others are often concentrated and well organised in exerting influence in law and legislation. Their interests and influence overall are likely to be more short-term than longtermist. Third, recent decades have seen a shift towards a stronger shareholder value orientation in corporate governance. A common criticism of this shift is that it incentivises more short-term decisions. Accordingly, corporate influence into public institutions will likely display short-termist bias too. Finally, we can, of course, imagine that ‘pro-longtermist elite capture’ could happen and gamble on that possibility. However, if strong democratic and legal oversight and the power to check elite influence is lost, we might struggle to reverse our gamble.

Third, high inequality is likely to reduce social capital and trust (Alesina and La Ferrara, 2002; Knack and Keefer, 1997; Rothstein and Uslaner, 2005). Social capital and trust in public institutions in turn are important for effective public goods provision (Beugelsdijk et al., 2004; Knack and Keefer, 1997). Effective public goods provision, in turn, is important for (some) effective measures to reduce existential risk (and, more generally, to coordinate towards more valuable long-term trajectories). Therefore, high inequality could reduce societies’ capacities to effectively respond to large-scale challenges like existential risk.

Finally, some limited direct evidence suggests societies with higher social capital and lower inequality exhibit better preventive and adaptive outcomes for environmental risks and can show greater resilience to external shocks (Kahn, 2005; van Bavel et al., 2018). For example, Matthew Kahn provides some evidence that more equal countries, when controlled for GDP, have significantly lower death rates in natural catastrophes (Kahn, 2005). While smaller natural catastrophes are different from global catastrophic risk scenarios, resilience in such events might be somewhat indicative of societies’ resilience to catastrophic risks.

So, good social and institutional conditions could help reduce existential risk. Consider next how, conversely, bad conditions might increase existential risk. A key driver of existential risk is conflict, both between and within nation-states (or what (Ord, 2020: 175–9) calls a ‘risk factor’). Conflicts and arms races raise human-induced existential risks such as nuclear war, the outbreak of a bio-engineered virus or the launch of misaligned artificial intelligence. Note that an existential catastrophe could be set in motion either purposefully or accidentally. Both are more likely during conflict. Nuclear warheads, cyberweapons, and bioweapons could all be used purposefully to attack enemy states, leading to potential global escalation. But as past nuclear incidents and close calls during the Cold War show, arms races also increase the probability of accidental catastrophes (Schlosser, 2013).

Esteban and Schneider find that formal and empirical evidence suggests that political and social polarisation increases the risk of violent conflict, both intra-nationally and internationally (Esteban and Schneider, 2008). If income inequality increases polarisation, inequality may indirectly drive existential risk. Indeed, recent evidence suggests that income inequality can increase the degree of polarisation between groups of citizens. Bonica et al. find that the degree of polarisation within the US House of Representatives, for example, is accurately tracked by domestic income inequality, with correlation coefficients rising up to 0.95 depending on the chosen time-period (Bonica et al., 2013: 105–8). Of course, correlation does not imply causation and the correlation is likely at least partially the result of reverse causation or a confounding variable. That said, we should assign a non-negligible credence to inequality partially causing polarisation. Moreover, inequality and polarisation might also play some role in getting polarising and populist candidates elected (Piketty, 2018). In a preliminary analysis of US election data, Darvas and Efstathiou find that more unequal states were more likely to vote for Donald Trump, after controlling for variables such as income, race and education (Darvas and Efstathiou, 2016). Populist politicians – like Trump, Bolsonaro, and others – are likely bad news for existential risk reduction. They are less cooperative in delivering regional and global public goods and typically prefer riskier, and more conflictual and nationalistic policy styles.

Differential progress

We have surveyed some reasons why inequality might translate into worse institutional conditions for longtermism. Beyond more formal institutions and avenues for collective action, we might also consider the cultural, moral and informal social norms that could potentially impact existential risk or whose underlying values might get locked in in the future.

The simple idea is that countries that sustain low levels of inequality will foster – and require for their support – a public moral culture that values solidarity and cooperation. More egalitarian policies might in turn move citizens and leaders towards more altruism and stronger regard to moral and social considerations in decision processes. Societies that actively work against income inequality may thereby reinforce broadly ‘pro-social’ social norms. Arguably, more egalitarian attitudes and norms might support public goods provision and favour expanding one's moral circle to other countries and future generations. Countries with high levels of inequality, in contrast, might reinforce norms of competition, individualism, and personal responsibility. Policies that encourage competition and smaller moral circles also seem more likely to attract leaders that value individualism and competition. Indeed, as Wilkinson and Pickett note, more equal societies give more in development aid and score better on the Global Peace Index (Wilkinson and Pickett, 2010: 227). Again, we may wonder whether these relationships are not partially explained by confounding variables or reverse causality. That said, the causal link through social norms and public morality has some intuitive force. If true – and drawing on what we said above – a public commitment to equality might support a public moral culture that values solidarity and cooperation, which could help reduce existential risk and lower the risk of negative value lock-in.20

A related idea is that egalitarian societies might provide better conditions for differential progress (Tomasik, 2015). The thought is that new technologies often pose a risk when they become available before society has developed the collective ‘wisdom’ to use them well. Technology should not develop too fast relative to progress in wisdom. Consider artificial intelligence for example. Bostrom argues that once artificial intelligences (AI's) outsmart humans in AI-creation, systems might iteratively improve themselves and potentially set in motion an intelligence explosion (Bostrom, 2014). Quite quickly, it might become difficult to control AI and align it with our interest. Such a scenario, if it happens, might still be some time away (or not). However, if we do not develop collective wisdom first, it might be too late by the time superintelligent AI arrives on the scene.

But what goes into the wisdom side of differential progress? Minimally, it requires effective institutions, values, and empirical insight and understanding. We have argued that equality might help strengthen the public institutions required for effective collective action to reduce existential risks. But society and the institutions governing it might also require public commitment to values conducive to longtermism. A commitment to equality and cooperation, and the norms required to sustain such a commitment, might help. Together then, equality could improve differential progress.21

#### The long-run economy is wage-led. Bargaining power is the only holistic solution to decline.

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Recent decades have been marked by two major and approximately general trends in advanced economies: the increase in income and, especially, wealth inequality within countries, and the long-run decline in labor productivity growth (secular stagnation). Despite the long preoccupation by economists working in the classical political economy (CPE henceforth) and post-Keynesian (PK) tradition with the role of distributional changes in fostering or hampering the growth process, the mainstream of the economics profession has not paid enough attention to questions related to income and wealth distribution for many decades. Certainly, Thomas Piketty's Capital in the XXI Century (Piketty 2014), which used a neoclassical framework to explain the process of rising inequality and stagnation, played a fundamental role in reviving the interest of mainstream economists in these issues. However, as argued by Petach and Tavani (2020), this approach can only explain the two trends under the assumptions of a high elasticity of substitution between capital and labor and an exogenous growth rate.

Focusing on the US economy, its recent economic history is distinguished by five interrelated stylized facts. First, a downward trend in the labor share has been observed nationally since the mid-1970s. As the relative constancy of the wage share in the longer run used to be seen as a stylized fact of economic growth (Kaldor 1961), the recent global trend of decline in wage shares has attracted a great deal of research attention. For instance, Karabarbounis and Neiman (2014) and Stockhammer (2017) show that the wage share has fallen significantly in advanced economies. Second, the share of wealth held by the top percentile has dramatically increased since the late 1970s. These trends in income and wealth inequality are illustrated in Figure 1.

[FIGURE 1 OMITTED]

Third, labor productivity growth in the U.S. has shown a slightly decreasing trend since the 1960s, although arguably still growing faster than wages—contributing to the pronounced decline in the wage share as depicted in Panel (a) of Figure 1. This trend is illustrated through the filtered data on labor productivity growth from 1960 to 2022 in Panel (a) of Figure 2. Fourth, as documented in Piketty (2014) and Piketty and Zucman (2014), the capital-income ratio has displayed an upward trend since the 1960s, as shown in Panel (b) of Figure 2.

[FIGURE 2 OMITTED]

Lastly, since the mid-1970s, the US economy has experienced a clear institutional shift, with economic power moving away from labor toward capital. This shift is evidenced by the consistent reduction in the bargaining power of workers, exemplified by the declining unionization rate of the labor force, as documented by Grossman and Oberfield (2022). Stansbury and Summers (2020) relate this reduction in labor power to lower wage levels and higher profit shares. Panel (a) of Figure 3 presents this declining trend in unionization rates since the end of the 1970s. Notably, this weakening of unionization is especially significant in the private sector, which constitutes the majority of U.S. employment.1 Concurrently, there has been a significant increase in the market power of firms, observed through rising market concentration since the early 1980s. De Loecker et al. (2020) describe the evolution of market power based on firm-level data for the US economy, indicating that aggregate markups began to rise from 21% above marginal cost in 1980 to 61% currently.2 Autor et al. (2020) link the rise of “superstar firms”, responsible for the largest increases in the average markup rates, to the decline in the labor share in the U.S. Panel (b) of Figure 3 indicates this increasing trend on the average market power of firms using the aggregate average markup of US publicly traded firms.

[FIGURE 3 OMITTED]

Despite some notable exceptions (Taylor et al. 2019; Petach and Tavani 2020; Ederer and Rehm 2020; Cruz and Tavani 2023), most theoretical frameworks do not generally provide a clear link between a rising capital-income ratio, a falling labor share, and growing wealth inequality, and to what extent these distributional changes impact the reduction in labor productivity growth and the growth rate of the economy. This limitation is even more pronounced considering the fundamental role of insufficient aggregate demand as a driving force behind the phenomenon of secular stagnation in advanced economies. This paper aims to bridge these gaps by proposing an alternative theoretical framework to better organize and interpret the stylized facts outlined previously.

Drawing both upon the CPE and the neo-Kaleckian traditions, we develop a formal model that not only addresses the five stylized facts detailed earlier but also integrates the crucial role of insufficient aggregate demand to elucidate the dynamics of secular stagnation, income and wealth inequality. Although demand-led models have been previously used to discuss the process of wealth accumulation and income distribution in recent contributions—for instance in Kumar et al. (2018), Ederer and Rehm (2020), Taylor et al. (2019) and Stamegna (2023)—to our knowledge this paper is the first to structure a condensed explanation of trends in distributive, technological, and labor bargaining power that affect the US economy in past decades.

The second contribution of this paper is a nuanced examination of the institutional changes that have unfolded since the late 1970s, changes we argue are central to understanding the recent history of the U.S. economy. Petach and Tavani (2020) and Cruz and Tavani (2023), following the induced innovation hypothesis by Kennedy (1964), link factor-augmenting technologies and factor shares and consider the effect of changes in a “catch-all” institutional variable affecting the labor share in the long run. We develop an alternative, plausible logic for the determination of a similar institutional or policy parameter within the model, that has the advantage of indicating more clearly the connection of this variable with the functional distribution of income and the dynamics of the labor market. Our formulation draws on the structuralist tradition, modeling wage- and price-setting behaviors as manifestations of the conflicting claims of workers and firms over the social product (Rowthorn 1977; Dutt 1987; Taylor 1985). Importantly, the reduced form dynamics of such conflicting claims deliver a distributive curve that links the labor share of income to aggregate demand (Barbosa-Filho and Taylor 2006).

Our results are as follows. Institutional or policy changes that, at the same time, deteriorated workers' bargaining power and increased firms' market power have negatively impacted the wage share. This, in turn, may have positively affected economic activity and accumulation in the short term if the demand regime on the economy is profit-led, which would have reinforced the initial negative shock. However, the direct relationship between the labor income share and the rate of labor-augmenting technological progress implies that the decline in labor power will produce a reduction in the natural growth rate of the economy, which is linked to labor productivity growth.3 In other words, the economy is wage-led in the long run because of supply forces, namely the wage-led nature of labor productivity growth. For balanced growth to be restored, an increase in the capital-income—a decline in the income-capital—ratio is necessary. In addition, we analyze in detail the evolution of wealth distribution, whose Pasinetti (1962) dynamics reveals a long-term inverse relationship between the wage share and the capitalist (top, in the data) wealth share, as well as between the top wealth share and the rate of capacity utilization.

### Advantage 2 – Participation – 1AC

#### Sectoral bargaining builds participatory worker groups that serve as training grounds for civic engagement. That spills up to larger societal institutions.

Tova Wang 20, Director of Research Projects in Democratic Practice, Ash Center; former Director of Policy and Research, Center for Secure and Modern Elections; J.D., NYU School of Law, “Union Impact on Voter Participation—And How to Expand It,” Harvard Kennedy School Ash Center for Democratic Governance and Innovation, 06/01/2020, Zotero, https://ash.harvard.edu/resources/union-impact-on-voter-participation-and-how-to-expand-it/. //EP

INTRODUCTION

Some politicians have enacted measures in recent years to make voting harder and to reduce participation among certain groups. Others have sought to counteract that voter suppression by implementing laws to make voting easier, such as same-day or automatic registration. There is another antidote to the effort to reduce participation: lifting up worker organizations. This is especially important to understand given the ways in which powerful individuals and groups have sought to weaken unions because of their political strength representing American workers.

Unions increase voter participation among union members as well as the people around them. This is not just a function of labor’s well-known get-out-the-vote (GOTV) programs: it is also by unions’ psychological and social empowerment of workers, indicating an effect that is lasting, that goes well beyond a single election cycle. Unions don’t just get members to vote: they work to turn them into voters.

Union members develop a sense of agency and efficacy, and gain skills and knowledge that research shows has a spillover effect beyond the individual members, especially to the members’ households. It has been shown that areas with higher labor density have higher voter turnout rates. In other words, the effects may even spread to a wider geographic region.

Decades of scholarship demonstrate that people who are part of organizations are more engaged.1 Unions are especially situated to facilitate this. Unions have often been referred to as “schools of democracy” because they are such central venues for ordinary people to engage in developing arguments, problem-solving, collective decision-making, and voting on issues and for candidates: the very practices one needs to be an active and effective participant in electoral politics.

From Carole Pateman: “The theory of participatory democracy is built around the central assertion that individuals and their institutions cannot be considered in isolation from one another. The existence of representative institutions at [the] national level is not sufficient for democracy; for maximum participation by all the people at that level socialisation, or ‘social training,’ for democracy must take place in other spheres in order that the necessary individual attitudes and psychological qualities can be developed. This development takes place through the process of participation itself. The major function of participation in the theory of participatory democracy is therefore an educative one, educative in the very widest sense, including both the psychological aspect and the gaining of practice in democratic skills and procedures.”2 Pateman rests her arguments in part on the philosophies of Mill and Rousseau, who emphasized the broadening of outlook and interests, the appreciation of the connection between private and public interests, that the experience of participation would bring, and there is also ‘education’ in a more direct sense, the gaining of familiarity with democratic procedures and the learning of political (democratic) skills.”3

The quantitative and observational data on this phenomenon are strong—however, as we will see, the impacts on voting rates are still lower than I strongly suspect they could be. I hope this paper will serve as a call for a much more granular look at the relationship between union membership and higher turnout—at how exactly the socialization hap- pens. Through looking more closely at union members’ lives and activities, research can help pinpoint more precisely what member activities are most effective and help labor organizations play an even stronger role in improving and expanding our democracy.

In the following pages, I first explain efforts to weaken unions and the voice of working people; then what the decline of unions and union membership has meant for participation; next, I look at the data showing the positive effects unions have on voter participation; and finally, I suggest how going forward we can reform the laws and how labor is structured such that it not only continues to facilitate voter participation, but even enhances it.

ATTACKS ON LABOR

The decline of unions over the last four decades or so is well documented. Membership has been declining for years and this trend is continuing. According to the U.S. Bureau of Labor Statistics, “In 2019, the percent of wage and salary workers who were members of unions—the union membership rate—was 10.3 percent, down by 0.2 percentage point from 2018.” This was nearly entirely due to a decrease among private-sector workers. The public-sector unionization rate was 33.6 percent while the private-sector rate was 6.2 percent.4

There are a number of reasons why this has occurred in the United States. Steven Greenhouse, in his most recent book, cites factors such as automation, globalization (which led to the closing of factories, which eroded labor’s base of workers), and corporations’ prioritization of profit maximization and focus on short-term stock valuation. To accomplish these latter ends, corporations downsized, cut or eliminated pensions and other benefits, and hired more workers as temps and/or independent contractors to avoid having employees who could make demands through organizing.5

Nonetheless, as Greenhouse, labor experts, and union leaders underscore, the attacks on unions over the years and the ways in which laws have been tilted strongly in favor of employer power and against the right of workers to organize, bargain collectively, and strike have been incredibly damaging.

States’ primary attacks on unions have come in the form of ironically named “right-to-work” laws. Under federal labor law no employee can be compelled to join a union. If a worker chooses not to join their workplace union, they are exempt from union dues but can be made to pay agency fees to support the work the union does represent- ing them in collective bargaining, which they do equally for members and non-members. The union also represents (and is required to do so by law) any worker in a grievance process—member or not. Agency fees cannot be used for any political activity.6

Right-to-work laws ban unions from requiring workers to pay agency fees with- out taking affirmative steps to opt into the program. Yet the union still is obligated to serve everyone under the contract equally, regardless of whether someone contrib- uted to the pool to pay for that.7 These laws seriously threaten the ability of unions to exist given the restraints on resources. Twenty-seven states have enacted some form of a right-to-work law.

In the years after the 2010 election, when a number of state legislatures flipped parties from Democrat to Republican, right-to-work laws became especially conten- tious. The fight in Wisconsin was particularly bitter, after the law was passed in 2015 and upheld in the courts in 2017. Indiana, Michigan, and West Virginia also passed right-to-work laws between 2012 and 2016.

While the decline of unions is due to a myriad of reasons as noted above, schol- ars have recently been able to zero in on the impact of anti-union laws. In their study of right-to-work laws and voting, James Feigenbaum, Alexander Hertel-Fernandez, and Vanessa Williamson observe that

RTW laws weaken unions, either by reducing union organizing (Ellwood and Fine 1987) or density (Eren and Ozbeklik 2016) or labor’s leverage more gener- ally (Matsa 2010). Union revenues are also hit: Quinby (2017) shows the 2011 collective bargaining ban in Tennessee—conceptually similar to RTW targeting only teachers—reduced teacher union revenue by 25%. We see similar declines in teacher union revenue in Michigan and Wisconsin following the RTW laws we study. Interviews with labor leaders in recent RTW states echo this weakening … We expect this weakness to translate into political weakness, either directly or through a redirection of scarce resources.8

Studies have shown that union membership dropped precipitously after right-to- work laws were passed in Wisconsin and Michigan.9 In a study comparing three mid- western states with right-to-work laws and three without them, Robert Combs finds profound differences in union membership in the two groups of states, with mem- bership rates far lower in right-to-work states. And singling out Wisconsin for its before-and-after picture with respect to its passage of a right-to-work law, the research shows that “with annual membership averaging 222,376 from 2015 through 2018, Wis- consin’s union ranks have declined by 36.5% from its earlier average of 350,043.”10

With respect to these types of laws, the Supreme Court has also played an important role in threatening unions. In 2018, the Supreme Court in Janus v. AFSCME ruled that public employees, who are covered by state laws, not federal laws, do not have to pay agency fees to cover collective bargaining based on the argument that such a requirement would violate employees’ First Amendment rights.

The state laws as well as the Janus case were designed to be a direct hit to union power based on the assumption that unions would hemorrhage members, diminish- ing the resources unions would have access to for their work, including recruitment and organizing.

Another line of attack by states has been to restrict collective bargaining. Sev- eral states now restrict or ban outright collective bargaining for many categories of public-sector employees.11 In most recent times the epicenter was again Wisconsin, which passed legislation in 2011 virtually eliminating the right of public workers to col- lectively bargain. These types of measures make union membership seem potentially less worthwhile, another contributing factor to declining membership.12

At the same time, it is notable that because of the tireless work of the unions themselves, overall membership in the country has gone down much less than expected. The unions prepared for what they knew was coming: A Politico review of “10 large public-employee unions indicates they lost a combined 309,612 fee pay- ers in 2018. But paradoxically, all but one reported more money at the end of 2018. And collectively, the 10 unions reported a gain of 132,312 members.”13 Unions have held their own by implementing strategies conceived five years ago, such as member engagement plans, in anticipation of this kind of attack.14

Finally, it would be remiss to not include the National Labor Relations Board (NLRB) as a player in this anti-union activity. Since the arrival of the Trump admin- istration (and frequently under other conservative presidents) the NLRB has also taken a lead role in preventing the formation of unions and weakening existing ones. They have done this through measures such as allowing for already widespread “mis- classification” of workers to be even more expansive: workers are easily considered contractors rather than employees and not eligible to join or form a union. This most recently includes Uber drivers15 and SuperShuttle drivers16 but has much wider ramifi- cations. Rulings have made it more difficult for workers to talk to each other and pro- vide each other with information about organizing while allowing employers to make anti-unionization communications freely.17 Most recently the NLRB banned employees from using email for any organizing purposes.18

IMPACT ON VOTER TURNOUT

The Bad News: Restrictions on Unions Decrease Voting Rates

We have research that demonstrates that the hits union membership has taken have had a direct impact on voting.

Feigenbaum et al. find that “presidential-level turnout is . . . 2 to 3 percentage points lower in RTW counties compared to non-RTW bordering counties after the pas- sage of RTW.”19

The same pattern holds with respect to curtailments on collective bargaining. Roland Zullo finds with respect to voting rates that “the marginal difference between states with full bargaining rights for public employees with either no bargaining rights or partial bargaining rights for public employees was about 3.2 percent.”20 And further, “Together, the existence of right-to-work laws and the absence of collective bargaining rights for public employees were associated with nearly 5% lower voter turnout. These findings suggest that legal institutions that weakened labor unions diminished unions’ ability to mobilize voters.”21

The Good News: Rebuilding Unions Can Increase Participation

These laws, therefore, have had an impact not just on worker conditions but on voting.

However, there is a window of promise. Looking across a number of studies with a range of methodologies, research suggests that union members are at least 3–5 percent more likely to vote.

This is more significant than just turnout in a given election year—it represents a sustained margin of difference. To be clear: this is not just a result of any particular GOTV activity, but rather a function of being in a union, the transformative effect that has.

Jan Leighley and Jonathan Nagler wrote the seminal 2006 article on this. They found that “union members are significantly more likely than non-union members to vote in presidential and congressional elections, controlling for individual-level characteristics such as education, income and occupation,”22 as well as whether it was an election year, what type of election it was, and the state’s political context.23 They did so by using data on individual union membership and state-level union membership.

Leighley and Nagler found that, had unions remained as strong as they were in 1964, turnout in 2004 would have been approximately 3.5 percent higher among low-income citizens, 3.5 percent higher among those in the middle of the income distribution, and 2.5 percent higher for those at the top income levels,24 with an even greater difference in some states. To illustrate the point, the nearly 50 percent drop in union density in California between 1964 and 2004 resulted in an overall aggregate turnout for 2004 that would have been 4.9 percent higher if union strength had remained at the 1964 level.25

Jake Rosenfeld found that “a weighted average of the sector specific union vote premium (to account for the larger size of the private-sector workforce) indicates that union members’ voting rates are approximately 5 percentage points higher than the rates of nonmembers.”26 Significantly, he further finds that “union vote effects are largest for the least educated. Among high school dropouts in the private sector, union members’ probability of voting is 11 percent points higher than for other similar nonmembers.”27

Patrick Flavin and Benjamin Radcliff examined survey data that included 30,000 respondents from thirty-two countries controlling for a wide and long list of other factors that relate to propensity to vote. They found that taking into account all of these other possible influences, union members are 2.4 percent more likely to vote.28

“Spillover” Effect: Impact beyond Members

What is striking is that the impact of empowering union members may extend to the people around those members, including families and possibly neighborhoods.29

Individuals living in states with stronger unions are more likely to vote, and this is true controlling for other aspects of campaign mobilization and demographic characteristics. Looking at the issue another way, Leighley and Nagler find that overall the decline in union strength between 1964 and 2004 resulted in a drop in turnout of 3 to 4.5 percent for typical voters.30

Benjamin Radcliff and Patricia Davis find that a 1 percent increase in union density resulted in a .20–.25 percent higher turnout. They find that “the difference between a high union state (like New York or Michigan with about 35 percent of workers organized) and a low union state (such as South Dakota or Vermont with about 10 percent of workers organized) suggests (other things being equal) a difference in turnout of about 6.5 percent.”31

Flavin and Radcliff’s survey data of 30,000 respondents from thirty-two countries included union members and non-union members. They find that unions have “spillover” effects—in places with higher union density, even non-members turn out in higher numbers. They observe that the reason for this likelihood of spillover effects is that “union members interact with other individuals and, through that interaction, may mobilize others. The most common example is the immediate family of the union member, but members likely play a similar role through interpersonal communication networks outside the family as well.”32

Finally, James Feigenbaum finds that union members are about 4 percentage points more likely to vote and 3 points more likely to register (after controlling for demographic factors) and individuals living in a union household are 2.5 points more likely to vote and register.33

WHY DO UNIONS HAVE THIS IMPACT?

Union members, just by virtue of being in a union, have the opportunity to engage in activities that directly mirror electoral participation. There are elected positions at the shop, local, state federation, central labor council, regional, and national levels that members vote, run, and participate in. They attend meetings where their viewpoints are expected to be heard. They attend conventions, and the delegates to those conventions must be elected. They vote on contracts. Members are educated on issues of importance to the union and working people. They’re encouraged to reach out to elected officials and lobby. Organizing drives build leadership, communication, and a sense of solidarity, including among workers who don’t otherwise know each other. All of these things and more quite evidently would prepare someone—and give them the skills, confidence, and sense of empowerment and efficacy—the sense of a VOICE—to participate in elections.

Research has shown that participation in organizations, and in unions in particular, increases political sophistication and interest.

Belonging to a labor union means one is involved, at least on some level, in union and workplace affairs. Selecting members for leadership positions and voting on proposed wages and contracts are both examples of political participation in the workplace . . . use of these political skills translates beyond just the workplace and increases a member’s likelihood of becoming involved in the political process and, ultimately, voting.34

Zullo describes it this way: “Like politicians, worker representatives are typically elected; negotiations resemble legislative deliberations; and contracts become the ‘constitution’ of the shop, with the parties subject to a set of rules that are enforced by an independent judiciary of arbitrators.”35

As Jasmine Kerrissey and Evan Schofer find, “Unions strive to develop the organizational and political skills of their members, cultivate their members’ political identities, and directly mobilize members to participate in political life.36. . . The imperative to maintain collective action capacity places incentives on unions to train and mobilize workers, imparting skills and experiences that may enhance prospects for subsequent political participation.”37

As Hahrie Han says with respect to organizations more generally,

Membership-based civic organizations have the potential to create transformative social interactions that shape the decision to act, and the development of political identities over time. Yet, in the United States, organizations focused on this kind of transformation have declined over time: our democracy has created a set of interests and incentives that have led to the decline of parties, unions, and other institutions that focus on transforming ordinary people to build the capacities they need to participate.38

One way of revitalizing that transformative power of organizations is by rebuilding labor power.

HOW DO WE USE REFORM AND RESTRUCTURING OF LABOR TO INCREASE ITS IMPACT ON PARTICIPATION?

Clean Slate for Worker Power is an initiative that began in 2018 at the Labor and Worklife Program at Harvard Law School. Working with leading academics, activ- ists, advocates, labor leaders, and practitioners, the project released a report in January 2020 with recommendations for reforming labor law and how unions could be re-imagined to create a more just economy and democracy.39 Although the issue of political engagement was not a driving force behind the project, it is clear that given the research detailed here, many of the reforms proposed would not only help main- tain the capacity to make members into effective voters and political participants, but might augment it and in ways that would make our political system more inclusive. Thus the report provides a road map for simultaneously lifting up workers and voter participation rates.

We have observed that the internal election procedures of unions provide members with skills and efficacy translatable to the public sphere. Clean Slate envisions a system where there will be numerous points—and perhaps more opportunities than now—at which members can consider and vote for representatives and voice their opinions, mirroring and providing practice for elections for government offices and other forms of public participation. And the nature and context around these actions may be such that they feel more meaningful than those members can undertake today.

Under the Clean Slate plan, every worker would participate in elections to choose a workplace monitor and in most workplaces all workers would be eligible to nominate and elect representatives on worker councils. And at each of these points, beyond voting itself, there would be necessary discussions, meetings, and decision-making processes, as well as trainings for officeholders, that would contribute to helping members become political participants.

As part of this vision, workers would be organized at the sectoral level, rather than by workplace—in other words, one worker entity represents an industry, not one business in that industry. As a result, layered on top of the activity at the workplace level, there would be industry-level sectoral bargaining panels with worker representatives who would operate on the basis of input from other workers, who would also be entitled to attend meetings.40 Education and training to provide workers the tools to undertake these jobs and for members to understand the issues considered would be available, further enhancing civic skills that would translate outside the context of work. For large corporations there would also be worker-selected representatives on the corporate boards, who would be trained for service through an educational service provider.

Under Clean Slate, collective bargaining rights would include issues that go beyond the immediate workplace. They would include issues that affect workers’ communities that are under the employer’s control—such as impacts the firm has on the environment, housing, and patient safety. Providing workers with the opportunity to collectively take a stand, including the right to strike, on such matters of grave concern would promote workers’ awareness and understanding of issues facing the country and the role companies play in them, empowering them to take action within the context of their work lives and as publicly minded citizens. This education and empowerment could lead to greater interest in and understanding of the importance of being a voter and exercising a public voice in this electoral realm.

This has already begun to take place. In June 2019 hundreds of workers from Wayfair, a furniture retailing company, walked out of work because the company was selling $200,000 worth of furniture to a government contractor that operates migrant detention centers for ICE.41 One can imagine the powerful effect that the policy and political education and mobilization around an issue of ethical importance had on many workers. When it emerged that Google had contracted with the Department of Defense for technology assistance, “About 4,000 Google employees signed a petition demanding ‘a clear policy stating that neither Google nor its contractors will ever build warfare technology.’ A handful of employees also resigned in protest, while some were openly advocating the company to cancel the Maven contract.” The company decided the contract would not be renewed.42

Since people’s work lives and their lives outside the workplace are not sharply divided and the behavior of firms can affect whole communities, Clean Slate gives workers the right to bring community-based organizations with the requisite expertise to the collective bargaining table. This provides the opportunity to further educate members about issues as well as potentially facilitate coalition building. These collaborations could enhance the individual political efficacy of workers as well as practically build community power through actions of common cause that could bring greater influence in policymaking realms.

Finally, Clean Slate’s proposed labor law reform would bring in workers from sectors that have been needlessly excluded from collective bargaining and organizing and provide them with this civic-power-building experience. This includes agricultural workers, domestic workers, workers in food and retail, and incarcerated persons doing work for private industry. We know from the demographics of these sectors these will be disproportionately people of color and low-income Americans—Americans who were historically excluded from unions under federal policy going back to the New Deal and who have, not coincidentally, been perpetually and systematically discriminated against in the voting system. The combination of bringing these groups into the sense of community and active voice that collective bargaining provides and educating and teaching skills for practice in the electoral system would be a powerful path to a more inclusive democracy.

Of course, scholars and union leaders have offered innumerable other valuable suggestions for strengthening labor in a new and challenging environment, all of which could also potentially contribute to increasing labor’s capacity to engage members in the democratic process. As just one of many examples, Greenhouse recommends creating “a major new national workers’ group” that would mirror the way groups like the AARP operate in advocating for members’ interests.43 He and others advocate for a card-check system for union elections to ease their formation and make union elections less tilted in favor of anti-union employers. He also seeks exploration of worker organizations that are alternatives to traditional unions, as Clean Slate does.

Something that could be achieved without legislation in the more immediate future is, as Michael Paarlberg of Virginia Commonwealth University has discussed, unions recommitting to programs that educate members on policy issues and teach them the skills to be active participants. But this cannot be just about skills and education. As detailed here, unions must be transformative to people’s sense of their own power and importance. As Paarlberg points out, they need to continue to provide activities that promote solidarity and identity as a union member, which in turn foster the desire to be engaged in collective change.44

CONCLUSION

Unions across the country have been integral in the fight against voter suppression efforts at the state and local level, and have been instrumental in passing many laws that make voting more accessible for all. The continued efforts of this nature—fighting against acts such as voter ID laws and cutbacks to early voting, and in favor of measures such as same-day and automatic voter registration—are absolutely essential.

At the same time, going beyond changing the rules, we need to understand the types of experiences people have in their everyday lives and in their communities that may lead to a stronger identity as a voter and public participant and investigate how we can build upon them. Participation in union activism appears to have a transformative effect on an individual level in some cases, outside of whether the person may have been sent campaign mail or received a phone call.

However, as mentioned in the introduction, more research is needed to dig deeper into how specific types of labor-related activities affect the propensity to vote. We have the quantitative data presented in this paper; what is needed now is a more qualitative investigation—one that seeks out talking to, listening to, and perhaps following the tra- jectories of individual members and groups of members, and perhaps also their fami- lies. Such research would better inform us on how unions can be more intentional and effective in creating committed participants in our democracy in the future.

Finally, the links between labor law and how it affects organizing and voting are evident. Thus, while unions are often in the battle for election reform, democracy activists must also be at the forefront of the labor law reform movement in a more robust manner than they have been to date. Such an alliance could yield enormous power in the fight for a fairer, more inclusive electoral system.

At a time when democracy is under attack it is more important than ever to build power among “everyday” people through groups and organizations that can serve as political homes. Worker organizations provide the opportunity to find one’s voice and feel a sense of both individual and collective power that translates into the exercise of political power. If we expand and strengthen these organizations, we can help to broaden and increase the number of voices heard in our political system and thus to strengthen democracy.

#### Top-down labor regulations are rigid and blunt. The plan creates adaptable, sector-specific standards that maintain democratic legitimacy through bottom-up participation.

Susan Hayter 18 – Senior Specialist on Industrial Relations @ International Labour Office, MSc in Industrial Labor Relations @ London School of Economcis; Jelle Visser, Professor @ Amsterdam Institute for Advanced Labour Studies; ILO, “The Application and Extension of Collective Agreements: Enhancing the Inclusiveness of Labour Protection” in Collective Agreements: Extending Labour Protection, Ch. 1

What makes the extension of collective agreements distinct from other forms of regulation, such as a statutory minimum wage, is that it is based on a concurrence – an agreement negotiated by independent, autonomous and representative trade unions and employers’ organizations in a particular sector or occupation. This makes it different from other legislation passed by and under the control of Parliaments. Extension has some of the advantages of a contract – legitimacy, based on joint participation in its negotiation; adaptability, allowing for rapid establishment or renegotiation in case of technological or economic changes; and customization, reflecting the particular conditions of an industry or occupation. However, it is a statutory measure, under the responsibility of a public authority. In most cases the legislator requires the collective agreement to fulfil specific conditions before it can be extended – for instance, that it is supported by the majority in the industry, does not conflict with public policy goals, and conforms with the law. As a decision taken by a public authority, usually the Minister, parliamentary control is warranted. Generally, it is the responsibility of the public authority to prevent this policy tool from being misused at the expense of consumers, the general public or private actors, be they newly starting firms or workers seeking employment.

More than just a technical legal tool, extension embodies a legal and political philosophy that is premised on self-regulation (Sinzheimer, 1916) and legislation by accord (Hamburger, 1939). Through extension, governments and parliaments acknowledge that standards created through voluntary negotiations between private interest organizations, if sufficiently representative, have “the same social function and may be given therefore the same legal status as state-created standards” (Kahn-Freund, 1954a). This enables the State to focus its limited resources on the protection of workers in sectors of the labour market where the interests of employers and workers are not organized.

Like many scholars before him (such as Pirou, 1913, in France; or Webb and Webb, 1920, in Britain), Kahn-Freund (1954b) believed that there would be expanding public recognition of the role of collective agreements in settling “inter-group conflicts” and of the advantages of the extension of voluntarily negotiated standards. Subsequent theories of Reflexive Law elucidate the advantages of a regulatory strategy that uses collective agreements to afford labour protection. Instead of imposing mandatory substantive legal standards in a top-down (command and control) manner accompanied by sanctions, reflexive regulation devolves rule-making and encourages self-regulation. It advances ‘regulated autonomy’ through norms of organisation, process and procedure (Teubner, 1993). It is embedded in different sub-systems (e.g. the industrial relations system) through procedural law. Substantive standards (e.g. wages and working conditions) are established through consensusoriented processes involving negotiation and decision making. The objective of a reflexive regulatory strategy is to use discursive decision making processes to create the conditions for responsiveness of regulation - without controlling the substantive outcome (Black, 1996). These new, non-hierarchical modes of governance are supported by traditional hierarchical modes (Rhodes and Visser, 2011). This “shadow of hierarchy”, creates an incentive for self–regulation. It is a necessary condition for self-regulation to succeed. Similarly, provisions for the extension of collective agreements may be instrumental in supporting co-regulation.

#### US democratic collapse is an existential threat.

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In the game Jenga, players take turns removing wooden blocks from a rickety tower and then stacking them back on the top. Each removed piece makes the base more wobbly; each block put back on top makes it more unbalanced until it eventually topples.

This, I’d argue, is basically how we should be thinking about the stakes of the 2024 election for American democracy: an already-rickety tower of state would be at risk of falling in on itself entirely, with catastrophic results for those who live under its shelter.

We live in an era where democracies once considered “consolidated” — meaning so secure that they couldn’t collapse into authoritarianism — have started to buckle and even collapse. As recently as 2010, Hungary was considered one of the post-Communist world’s great democratic success stories; today, it is now understood to be the European Union’s only autocracy.

Hungarian democracy did not die of natural causes. It was murdered by Prime Minister Viktor Orbán, who seized control of nearly every aspect of state power and twisted it into tools. Not just the obvious things, like Hungary’s public broadcaster and judiciary, but other areas — like its tax administration and the offices regulating higher education.

Bit by bit, piece by piece, Orbán — whose support Trump regularly touts — subtly took a democracy and replaced it with something different.

In this, he was a trailblazer, creating a blueprint of going from democracy to autocracy that has been followed, to varying degrees of success, by leaders in countries as diverse as Brazil, India, Israel, and Poland.

The central question of this election is whether voters will grant former President Donald Trump the power to resume his efforts to place the United States on this list.

A predictable crisis

Trump’s statements and policy documents like Project 2025 amount to a systematic Orbánist program for turning the government into an extension of his personal will. Their most fundamental proposal, a revival of Trump’s never-implemented Schedule F order, would permit the firing of upward of 50,000 career civil servants.

This is the kind of thing that’s easy to dismiss as so much insider Washington drama, but the stakes are sky-high: Beyond hindering the basic functions of government that millions of people depend on, politicizing the civil service is a critical step toward consolidating the power needed to build an autocracy.

Democratic collapse nowadays isn’t a matter of abolishing elections and declaring oneself dictator, but rather stealthily hollowing out a democratic system so it’s harder and harder for the opposition to win. This strategy requires full control over the state and the bureaucracy: That means having the right staff in the right places who can use their power to erode democracy’s core functions.

Trump and his team have plans to do just that. They have discussed everything from prosecuting local election administrators to using regulatory authority for “retribution” against corporations that cross him — all steps that would depend, crucially, on replacing nonpartisan civil servants who would resist such orders with loyalists.

How far Washington would travel down the Budapest road is very hard to say. It would depend on a variety of factors that are difficult to foresee, ranging from the competence of Trump’s chosen appointees to the degree of resistance he faces from the judiciary.

But even if there’s a reasonable chance that the worst case might be avoided, the danger remains serious. With specific plans for autocratization already in place, and a recent grant of criminal immunity from the Supreme Court, there’s every reason to treat a second Trump term as an extinction-level threat to American democracy.

This assault on democracy didn’t come out of nowhere. My recent book on democracy, The Reactionary Spirit, argues that rising political antagonism in America is a perennial outgrowth of its defining conflict over race and national identity — with the current round of conflict sparked largely (albeit not entirely) by backlash to Barack Obama’s 2008 victory.

The sense among some Americans that they were losing their country to something new, defined by a more diverse population and a more equal social hierarchy, made the idea of a strongman who could roll back change quite appealing to a significant chunk of the American population. These voters had come to constitute a plurality, if not an outright majority, of Republican primary voters — creating the conditions for Trump to rise.

In 2016, Trump seized on this reactionary discontent and married it to a whole-scale agenda of backlash against the current political order. His policies and political rhetoric — on everything from immigration to gender to trade to foreign policy — were calculated to deepen America’s divisions and mainstream ideas once consigned to the fringes.

As potent as this politics proved, it’s likely Trump never really expected it to take him all the way to the White House. He had done very little transition work — nothing like Project 2025 existed. His team was scrambling from the second the contest was called in their favor.

The president himself was unfamiliar with how American democracy worked and largely uninterested in learning the details. So in his first term, he haphazardly yanked at its foundations — flagrantly assailing basic democratic norms of conduct and installing an incoherent policy process that made it very difficult to rely on any expectation of neutral, stable governance.

The results? Rising tensions between citizens and declining faith in government institutions, in part because government had become legitimately less reliable. There were several near-miss crises — people forget how close we were to nuclear war with North Korea in 2017 — and then two very real ones: a botched pandemic response and a democracy-shaking riot at the Capitol.

When critics warn about Trump’s threat, the constant rejoinder is that democracy already survived four years of Trump in office. In fact, democracy did not emerge unscathed from Trump’s first term.

And, perhaps more importantly, there are many reasons to believe that a second Trump term would be far more dangerous than the first — starting with the degree of authoritarian preparation that’s already gone into it.

A toddler grown into a saboteur

If the first Trump term was akin to the random destruction of a toddler, a second would be more like the deliberate demolition of a saboteur. With the benefit of four years of governing experience and four more years of planning, Trump and his team have concluded that the problem with their first game of Jenga was that they simply did not remove enough of democracy’s blocks.

I do not think that, over the course of four more years, Trump could use these plans to successfully build a fascist state that would jail critics and install himself in power indefinitely. This is in part because of the size and complexity of the American state, and in part because that’s not really the kind of authoritarianism that works in democracies nowadays.

But over the course of those years, he could yank out so many of American democracy’s basic building blocks that the system really could be pushed to the brink of collapse.

He could quite plausibly create a political environment that tilts electoral contests (even more) in the GOP’s favor — accelerating dangerous and destabilizing partisan conflict over the very rules of the political game. He could compromise media outlets, especially government or billionaire-owned ones. He could wreck the government’s ability to perform basic tasks, ranging from managing pollution to safely storing nuclear weapons.

The damage could be immediately catastrophic in ways we saw in the first term: political violence and mass death (from war, a crank-controlled public health system, or any number of other things). But even if the very worst-case scenarios were avoided, the structural damage to the tower of American democracy could be long-lasting — undoing the complex and mutually supporting processes that work to keep democracy alive.

When government reliably and neutrally delivers core services, people tend to have more faith in all of its functions — including running fair elections. When they have more faith in elections, they tend to trust them more as a means of resolving major policy disagreements. When they trust election outcomes, they tend to grant a baseline level of legitimacy to the government that follows, making it easier for it to reliably and neutrally deliver core services. The steady house of democracy is built by the gluing together of these functions.

John Rawls, the greatest political philosopher of the 20th century, described this as a long process of trust-building that starts with a basic faith in democratic ideals. When people of all political stripes basically believe in the system, he argues, they start acting inside its rules — giving others more confidence that they too can follow the rules without being cheated.

“Gradually, as the success of political cooperation continues, citizens gain increasing trust and confidence in one another,” Rawls writes in his book Political Liberalism.

A second Trump term risks replacing Rawls’s virtuous cycle with a vicious one. As Trump degrades government, following the Orbánist playbook with at least some success, much of the public would justifiably lose their already-battered faith in the American system of government. And whether it could long survive such a disaster is anyone’s guess.

#### The plan establishes sectoral bargaining panels with contract extension. That empowers worker organizations to set industry-wide standards.

Sharon Block & Benjamin Sachs 22 – Clean Slate for Worker Power is a project of Harvard Law School’s Labor and Worklife Program founded by Block & Sachs; Professor of Practice and the Executive Director of the Center for Labor and a Just Economy at Harvard Law School; Kestnbaum Professor of Labor and Industry at Harvard Law School; “Principles of Sectoral Bargaining: A Reference Guide for Designing Federal, State, and Local Laws in the U.S.,” Center for Labor and a Just Economy, 12/02/2022, https://clje.law.harvard.edu/principles-of-sectoral-bargaining-a-reference-guide-for-designing-federal-state-and-local-laws-in-the-u-s/

QUESTION 2: WHAT SHOULD TRIGGER SECTORAL BARGAINING?

The original Clean Slate report recommends that sectoral bargaining panels be established by the labor department upon the request of a worker organization when that organization has a membership of at least 5,000 workers in the sector or 10 percent of all of the workers in the sector, whichever number is lower. This raises a few interrelated design questions.

First, who has the authority to ask the labor department to verify whether the threshold has been reached? There are many possible options here, ranging from very low burden options (e.g., allowing any worker or employer organization to call for an election) to much higher burden options (e.g., requiring an organization to produce a certain number of cards or petitions, perhaps 5000 cards, or 30 percent, like the threshold in the National Labor Relations Act).22 An organization could even be asked to produce polling (within a margin of error), or certain international unions or companies that are quite representative could have the default right to call for an election in an industry.

Next, how will the labor department verify that the membership threshold has been reached? The processes involved could be similar to those used to certify unions in our current enterprise bargaining system. For example, one could use a card-check process or authorization cards, either paper or electronic. This has the obvious advantage of being a known and well-utilized process with a clear method of verification. On the other hand, as with current card-check processes, it requires individuals to declare their interests in being part of a union individually, thereby potentially subjecting them to retaliation. It may also be hard to get individual cards from 10 percent of workers in a large sector. On the other hand, the Department could hold an election to trigger sectoral bargaining. This is a more anonymous process, but because it would occur on a specific day, is subject to all the same anti-union tactics as elections for enterprise bargaining union drives.

Triggering Subsequent Rounds of Bargaining

Once a sectoral approach has been established, and an agreement is reached, the question remains of how subsequent rounds of negotiations are triggered. The key underlying question is whether initial agreements expire or simply persist until subsequent negotiations are triggered once again.

In some sectoral models, agreements are entered into for a set number of years (e.g., generally two-to-three years in Denmark).23 Time-bound agreements have benefits, in that they force a renegotiation of wages and benefits on a regular basis without forcing a triggering event or subjecting either side to questions about their representativeness. They also allow the duration of contracts as a bargaining chip in negotiations, allowing employers and workers to agree to a riskier, short-term contract or a safer, longer-term option. On the other hand, having contracts that expire risks greater uncertainty, work stoppages, or worse, the loss of labor standards across a sector if an agreement that was previously extended lapses.

Alternatively, a sectoral approach could simply provide that agreements remain in place until a second triggering event occurs. That could be the same trigger for initial bargaining or perhaps similar triggers setting a lower bar given that bargaining has been triggered once before. The trigger could also be negotiated on a sector-by-sector basis according to the contract. In our discussions of Argentina, experts suggested that having contracts that do not expire absent a triggering event helped contribute toward a remarkably stable sectoral bargaining system despite massive changes in the underlying political economy of the nation.

Either way, these triggers—whether time-based or otherwise—provide an opportunity for coordination among worker organizations and across sectors to build power or simply to align agreements. In countries like Denmark, the collective agreement struck in the industrial sector generally sets the benchmark for all further agreements.24

QUESTION 3: HOW SHOULD REPRESENTATIVES FOR SECTORAL BARGAINING PANELS BE DESIGNATED?

Who sits at the bargaining table is a crucial question in any sectoral approach. It implicates core questions about representation, equity, and the role of the state. In this section, we explore various options for structuring representation of employees and employers alike in any system drawing upon sectoral approaches.

The original Clean Slate report staked out some basic building blocks of bargaining panels in a sectoral approach, drawing from the triggers outlined in the prior section. In short, the report suggested that employers and workers alike would be represented on panels on a proportional basis to their share of the sector. Importantly, this proposal has already rejected the winner- take-all, “most representative union” or “most representative employer” approach seen in some other countries.25 Instead, the Clean Slate proposal relies upon a process through which both employers and workers may be represented by multiple different groups at the same table, so long as they meet these basic thresholds: for workers, for example, any group with 5,000 members or 10 percent of the sector (whichever is lower) would be entitled to its proportional share of seats and votes on the council. The Clean Slate proposal likewise provided that any employer or employers’ association in the sector that represents employers with 5,000 workers in the sector or 10 percent of the workers in the sector, whichever is lower, would be entitled to proportional representation on the employers’ bargaining council. But even these broad concepts leave open questions that are explored further in this section.

Worker Representatives

Perhaps the most central question of any sectoral approach is to decide who can appear at the bargaining table on behalf of workers. The Clean Slate proposal lays out a system of proportional representation that clearly envisions the possibility of multiple worker organizations around the table at once.26 But questions remain about how those organizations are chosen.

Choosing Organizations

To begin, it seems clear that any worker organization triggering the sectoral bargaining panel should receive at least one representative on that panel. Such an arrangement creates a clear incentive to organize new sectors, and it clearly makes sense that any organization that can meet this threshold should be represented. While this arrangement could establish a race to the threshold, that may not be a bad thing to spur organizing efforts.

Beyond that, the question remains how other worker organizations may reach the bargaining table. One option could simply be to suggest that any other organization reaching the same threshold—whether at the start or anytime later—gets membership on the panel proportionate to their own reach in the workforce. This variation could ensure that “runner-up” worker organizations—and even new worker organizations down the road—can still be involved in the process if they can generate sufficient interest.

Another option involves lowering the threshold for subsequent worker organizations to get a seat at the table. While this approach has the benefit of adding more workers to the conversation, it could be seen as diluting the voice of the lead labor union that organized the sector, even if the union with fewer members gets less representation.

Regardless of the choices above, another (potentially additional) approach would be giving certain international unions default membership on the bargaining panel, for example, one or more representing a threshold number of workers across various industries or even a certain size threshold of affiliates. Doing this would ensure that each panel has the strongest institutional grounding possible, though it would also involve carefully choosing how much of the proportionate vote these internationals receive—likely not a controlling stake, unless they are the unions that trigger the bargaining panels.

Likewise, if sectoral panels represent frequently fissured occupations like janitorial and transportation (see defining sectors above), it may be useful to give unions representing fissured occupations default membership on the appropriate panels, regardless of thresholds. This would ensure that fissured workers’ interests are well represented when they arise in sectoral bargaining. This may require a separate process to assess which union (or unions) best represents fissured workers’ interests, not to mention careful allocation of voting rights.

Decisionmaking: Proportional Voting Rights

Regardless of who is at the bargaining table, the question of exactly how proportional voting rights are allocated among the various worker organizations remains. One option would involve allocating to each worker organization in proportion to the number of members who triggered the panel or who otherwise triggered their participation (for non-default participants). It should be relatively straightforward to allocate representation on these terms, but it’s a point-in-time measurement that may not reflect changes in power-building over time.

Instead, proportional voting rights could be allocated to worker organizations based on their total membership in the sector. This too should be easy to measure, but it could be administratively cumbersome (and politically worrisome) to force worker organizations to produce membership lists or otherwise document their membership to, for example, government actors. And realistically, at least during transitions to sectoral approaches, most worker organizations will realistically only formally represent a small fraction of the industry in question.

An even thornier issue arises if workers may be members of more than one worker organization. One option would be to do nothing. But another would involve each worker designating that their (individual) votes must be allocated to one group or the other—which could be an administrative nightmare. Either way, it is important to ensure that each individual worker’s voice is heard only once, lest the system creates incentives to join multiple worker organizations to get additional votes, causing the number of worker organizations to balloon.

Alternatively, a sectoral approach could set out a proportional voting system that gives each worker some number of proxies to be split across any groups of which they are members. For most workers, this could mean, e.g., giving three proxies to a union. For others, it could involve giving two proxies to a union and one to a worker center. This kind of system would be harder to administer, but it would allow any individual worker to join multiple worker organizations as desired.

Employer Representatives

Any sectoral approach relies on having employers represented at the bargaining table, but deciding which employer groups to recognize can be even more complicated than choosing employees. As explained above, the Clean Slate proposal envisions establishing a threshold for the employers who would be recognized at the bargaining table, or any employer or employers’ association in the sector that represents employers with 5,000 workers in the sector or 10 percent of the workers in the sector, whichever is lower. In some sectors, a large employer may be able to seek representation on their own. But for other employers—or sectors without employers that large—this system relies upon employers’ organizations to exist and bargain with employees.

Some countries with existing sectoral bargaining systems have longstanding employer organizations that have long represented employers at the bargaining table. For example, the Danish Employers’ Confederation launched in 1896; over time, it has developed a centralized structure.27

But the U.S. has limited preexisting infrastructure to represent members in bargaining in most industries.28 Industry groups like the U.S. Chamber of Commerce and National Federation of Independent Businesses, respectively, self-report hundreds of thousands of members.29 Those groups purport to speak on behalf of their members on policy initiatives, but even that is substantially questionable.30 Regardless, they are not organized to bargain on behalf of their members.31 In most industries, the U.S. lacks a strong infrastructure of existing industry groups to represent multiple employers at the bargaining table and to hold those firms accountable to their agreements.

Any such system is likely to result in the creation of new employer groups—or the evolution of existing employer groups to perform a function that is quite different than what they do now in most cases. Indeed, industry groups today have no formal mechanisms for accountability to their members save, perhaps, losing paid memberships.32 The Danish model shows that strong labor-management relationships can be beneficial for labor harmony and productivity, creating incentives for employers to take part in the system.

Registration System

But the question remains about which of these groups sits at sectoral bargaining tables. One way to address this is to create a formal registration system for employer representatives, much like how labor law regulates labor unions.33 South Africa has such a model, giving employers the statutory right to form employer organizations that are recognized by the state.34 The state could, in turn, allow employers to show that they represent some threshold number of percentage of employers in the industry, much like the representivity question on the workers’ side. Alternatively, sales, revenue, profit, or production could be even more effective measures of representativeness.

In turn, as the original Clean Slate proposal set out, multiple employer groups could be given seats at the bargaining table. There are advantages to allowing multiple employer groups at the bargaining table—chiefly, that a diversity of employers’ voices is represented. There is also a benefit to having a parallel structure with workers. On the other hand, this arrangement can make it more difficult to reach consensus and build stable bargaining relationships. In our explorations of sectoral bargaining in countries like Denmark and Sweden in particular, the consolidation of employer organizations has been identified as a key factor in promoting broad- based labor standards.35

One way to resolve these competing considerations is to create opportunities to improve coordination among worker and employer organizations alike. For example, a sectoral approach could create a default role for broader international unions and employer organizations to be involved in bargaining in each sector or agreement, even if they have no ultimate role in decisionmaking. The AFL-CIO could have a default seat at the table for a sectoral agreement in the manufacturing sector, for example, whether or not they have a vote in the particular agreement. This would facilitate cross-sector coordination in bargaining and could even bring about some of the advantages of consolidation of employer organizations that the U.S. does not yet have.

Ensuring Employer Participation

Unlike countries that have a long tradition of robust employer organizations, it is important to consider a default in the U.S. if no employers participate in the bargaining process, for example, in an effort to evade bargaining that has been triggered appropriately. In such cases, the law could allow the Secretary of Labor to designate an employer representative to stand in for the employer in bargaining. No employers would be directly bound by any such agreement, given that they are not parties to the agreement. But on the other hand, that agreement could be submitted to the Secretary for potential extension throughout the industry.36 Indeed, the possibility of extension creates an incentive for employers to take part in bargaining themselves, rather than risk having an unfavorable or unrepresentative agreement extended.

Alternatively, the Secretary of Labor could be empowered to extend based on a proposal from the workers’ representatives alone, if it meets the requirements for extension. This scenario would create a significant incentive for employers to take place in the bargaining process as well.

Incentives for Participation

Another option—which could be layered atop any of the others—would be to create incentives for employer organizations to seek recognition or otherwise take part in sectoral bargaining situations. If employer organizations in a sectoral system can bargain for flexibilities in (or even exemptions from) broadly applicable laws, they may be more likely to participate in a system of sectoral bargaining.37 Implementing legislation can create a grant program to help employer organizations—just like worker organizations—develop sectoral approaches. Or employer organizations that participate in sectoral bargaining approaches could be prioritized for participation in training programs, which would be in line with historical labor-management partnerships from the apprenticeships field, for example.38

Decisionmaking at the Bargaining Table

Given that there would be multiple employer representatives at the bargaining table, another question is how the panel makes decisions at the table, especially when consensus is difficult or impossible to reach. The Clean Slate proposal has embraced a proportionate voting scheme, but that can be arranged proportionate to the number of workers employed by each employer or organization, or alternatively, proportionately by their wages or even revenues, each at any given point in time. In this arrangement, the employer or organization with the greatest share of employees, wages, or revenues would have the greatest voice at the bargaining table. One downside to such a system is that larger industry groups could swamp the interests of smaller ones. And such a system has additional challenges, especially when the same employer may be represented by two or more employer organizations. If the system does not somehow account for employers represented by multiple organizations, employers may elect to join ballooning numbers of allied (or even splintering) industry groups to earn more seats at the table, in effect.39

Alternatively, the law could simply provide that employer organizations work this out among themselves. South Africa requires that each bargaining council establishes a constitution setting out these sorts of parameters. For example, the 2017 Constitution for the National Bargaining Council for the Clothing Manufacturing Industry provides that employer associations who are founding parties each receive one vote, after which votes are allocated proportionally among remaining employer organizations according to the proportionate share of employees it employs.40 On the other hand, the National Bargaining Council for the Road Freight and Logistics Industry provides a simpler proportional bargaining formula where each employer organization has representatives in direct proportion to their share of employers represented across all employers that are party to the agreement.41 In the event that no decision is reached, the law could nonetheless set a default. And certain agreements (e.g., those that disadvantage a certain racial group) should be prohibited.

Subsequent Bargaining Panels

The options above address which employers and workers are at the bargaining table for initial rounds of negotiations, but a second question involves who is at the bargaining table for renegotiations of any sectoral agreements. This question is deeply intertwined with the related question of how subsequent negotiations are triggered, discussed in the “Triggering Subsequent Rounds of Bargaining” subsection, above.

If sectoral bargaining agreements have an indefinite term, as they do in Argentina, then the bargaining process only begins anew when one party triggers the negotiations. In that case, then any party successfully triggering negotiations is a natural anchor for the subsequent rounds. Other parties may be added according to the recognition rules listed above.

If agreements expire after a set number of years, then the simplest option is to begin with the parties at the table in prior negotiations. Panels could be adjusted, for example, to include any parties that newly meet the thresholds listed above.

Under either scenario, a more difficult question is whether and how an employer or worker organization may lose recognition for being insufficiently representative. In Argentina, where worker organizations have exclusive bargaining rights, there is no mechanism to cancel or challenge such recognition. In a Clean Slate approach, either employers or competing worker organizations should have the burden of showing that the worker organization previously at the bargaining table is insufficiently representative, for example, in that it cannot meet the trigger thresholds.

Qualifications and Training

Another question involves what qualifications should be required of worker and employer representatives alike at the bargaining table. Of course, the default is that worker and employer organizations, respectively, simply decide who they send to the bargaining table without any minimal qualifications or training. But requiring (or at least encouraging) some baseline qualifications or training may lead to better outcomes, especially in the initial implementation of sectoral approaches.

On the one hand, sectoral approaches could establish qualifications or at least guidelines for who should be at the bargaining table, especially to promote race and gender diversity, equity, and inclusion, and to ensure that worker organizations are able to build power. For example, guidelines could encourage worker and employer representatives to generally reflect the underlying demographics and experiences of the workers and employers they represent. Such guidelines could lead to greater diversity at the bargaining table, and as a result, stronger outcomes for both workers and employers alike. But the stricter or more enforceable such guidelines are, they could lead to constitutional concerns. Admittedly, employer and worker organizations alike may have concerns about guidelines for who they decide to bring to the bargaining table, even if the underlying goals are desirable.

Alternatively, any system of sectoral approaches should require, or at least create incentives to undertake, training for everyone involved on these concepts. For example, participants at the bargaining table could be mandated to have real training on diversity, equity, and inclusion. In fact, this sort of shared training could be less charged, while still giving both sides a common vocabulary and toolkit for incorporating these important principles and analyses into any agreement. Any such training must be conducted by skilled experts who can ensure that it has an impact. Ideally, the ultimate training would have buy-in from both workers and employers, too, perhaps as a joint production.

Governments also have a role in creating incentives for this sort of training. For example, they could provide funding to support this sort of robust training. Or the labor department could expedite applications for extension if they are negotiated by more representative negotiators.

Likewise, a system can create joint training materials for explaining the importance of sectoral approaches. For example, Denmark’s main employer and worker organizations teamed up to produce an animated video on the country’s sectoral bargaining system.42 The video suggests that jointly bargained sectoral agreements are more desirable than labor standards established by lawmakers without the same level of input from employers and workers alike. A sectoral system can generate buy-in through this sort of jointly developed training.

Finally, a system could simply provide staff to support either side in the negotiation. Mediation is one model for this sort of structure, but it could look less neutral as well.

QUESTION 4: HOW SHOULD BARGAINING BE CONDUCTED?

In order to make participation on a bargaining council truly accessible to rank-and-file workers who participate at the bargaining table, those workers must be paid for the time they spend bargaining— which can be a considerable amount. Depending on the sector, industry, or panel, employers could be required to provide these workers with paid time off to participate in bargaining, which may in turn be reimbursed by employers’ organizations. Asking employers to pay for this time makes sense in that workers are participating in important management decisions and should be compensated accordingly. Along these lines, the U.S. federal government recognizes “official time” for employee representatives participating in collective bargaining.43 The main drawback of this approach is that employers are likely to oppose the use of official time (either in general or in particular instances), which could create regular obstacles to workers’ full involvement in bargaining councils or other sorts of mechanisms established under sectoral approaches.44

Worker organizations could also compensate rank-and-file workers for the time they spend bargaining. While this arrangement is less likely to trigger opposition than requiring employers to pay, it does depend on well-financed worker organizations. Those with fewer resources will not be able to bargain as effectively.

A third option involves leveraging federal funds to support rank-and-file workers’ participation in bargaining. Federal funds could be provided directly to workers, but likely makes more sense coming either through reimbursements to employers or pass-through grants to worker organizations (along with administrative support to those organizations to manage the payments). This sort of arrangement can ensure adequate resources for engaging rank-and-file workers, and protects them from at least one aspect of employer opposition. It also ensures that a worker organization’s relative resources do not block its rank-and-file workers from taking part in the process.

Engaging Workers and Employers

Any sectoral bargaining approach also needs to consider how rank-and-file workers and employers are engaged in the bargaining process—those who are at the bargaining table, those who are represented at the bargaining table, and (due to extension) those who are in the sector but not actually represented at the table. Each of these building blocks implicates key questions of equity and power-building central to the Clean Slate agenda.

Negotiating Agreements

Sectoral approaches require impacted workers and employers to have the chance to weigh in on the shaping of agreements prior to the ultimate up-or-down vote at ratification. Unions especially have decades of experience at engaging their members in negotiations, and need no additional structures to do so effectively. But newly formed (or refocused) employer organizations lack the same history, and very well may need more guidelines for engaging their membership. And given the possibility of extension to non-members, discussed below, it would be ideal for workers and employers alike to have some basic input into the shaping of proposals even if they are not represented.45

Some worker or employer organizations may bring members to the bargaining table in some form, which is perhaps the most direct way to engage them in the development of proposals, but doing so is challenging for all of the reasons discussed above. Moreover, such an approach does not likely engage employers or workers who are non-members. Sectoral approaches should consider incorporating additional mechanisms for seeking feedback from impacted workers and employers, respectively, in shaping negotiations prior to final ratification.

One option for incorporating workers’ and employers’ voices in the negotiation process involves simply directing worker and employer organizations, respectively, to do so. This would be the most administratively straightforward way to do so, but it leaves significant discretion to these organizations to carry the commitment through. But creating only general or vague standards for engaging workers could provide avenues for attacking or harassing these organizations, much as the duty of fair representation has been so used.46

Instead, a sectoral approach could dictate certain baseline standards for engaging rank-and-file workers and employers alike, essentially creating a baseline (or safe harbor) minimum level of engagement that would ensure that worker and employer organizations met their duties. For example, a sectoral approach could require worker or employer organizations to hold structured listening sessions with their membership. They could be required to conduct an initial survey of bargaining priorities. Or they could be required to more transparently report publicly on the bargaining process at specified intervals.47 Labor departments could also consider the quality of outreach in deciding whether to extend an agreement sector-wide.48

Ratifying Agreements

Regardless of whether sectoral systems engage individual workers and employers in negotiations, they could also include a step whereby members of organizations involved ratify the ultimate agreements. Once ratified, the contract would apply to all parties represented at the bargaining table, and presumably the contract could be considered for extension to non-parties, as discussed further below.

Under the National Labor Relations Act (NLRA), unions may decide whether members need to ratify completed agreements.49 Unions can further decide how any such ratification may occur.50 Sectoral agreements could similarly delegate this decision to unions.

If ratification is required, it should require agreement of a majority (50 percent plus one vote) of the workers and employers, respectively, represented at the bargaining table. This can be a more straightforward calculation for employees. In terms of employers, the calculation should be based upon the same metric used to assess proportional vote, whether it be by wages or revenues.

As a practical matter, an agency will have to be empowered to oversee the ratification vote. At the federal level, the National Labor Relations Board (NLRB) would be the right agency, but a state or local labor department or human rights commission could do the same. Voting could involve a point-in-time vote after an agreement in principle is reached or even a proxy voting scheme. Sectoral approaches should consider the impacts of pre-authorization proxies— essentially delegating authority to those who are at the table conducting the bargaining— which could be administratively more straightforward but may be less helpful for ensuring engagement and building power for workers and individual employers alike.

QUESTION 5: WHAT IS THE SCOPE OF THE BARGAINING?

In terms of the subjects that can and should be bargained, the original Clean Slate proposal calls for distinguishing between high- and low-density sectors. The basic principle is that the scope of bargaining should be broader and more comprehensive in sectors with greater numbers of workers represented by worker organizations than it is in sectors with fewer workers who are represented. Beyond that, the report recommends that if an industry has a particularly high percentage of workers covered by collective bargaining agreements, a majority of the worker organizations involved could invoke a prevailing wage option that would require the DOL to set basic economic terms for the sector—including, but not limited to, wages and benefits—based on the terms contained in the workplace collective bargaining agreements in the sector.

In envisioning a nationwide sectoral bargaining system, for example, the Clean Slate report proposed that in lower-density sectors, bargaining at the sectoral level would establish minimum workplace standards for wages, benefits, scheduling (including flexible working arrangements), leave time, and workplace health and safety. The sectoral bargaining panels in low-density sectors would also be required to address gender and racial equity—including, but not limited to, pay equity. In higher-density sectors, bargaining could address a broader range of subjects and could potentially reach a much wider range of mandatory subjects of bargaining, including a more comprehensive system of wage scales, benefits, and other terms and conditions of employment, and even provisions for grappling with climate change. As in lower-density sectors, high-density sectoral bargaining would be required to address gender and racial equity.

For reference, South Africa’s labor law employs similar distinctions, where “statutory councils” can be established on application by a representative trade union or employers’ organization unilaterally, but it then has a limited bargaining agenda. Their representivity threshold—trade union or employers alike must represent 30 percent of the employees in the sector—is well below the 50 percent threshold required for extension of a bargaining council agreement.51

In practice, the Clean Slate report leaves open several questions, including where to draw the lines around sectoral density, which subjects should be bargained, and whether to allow worker organizations to bargain away statutory rights. Each of these questions is addressed below.

Sectoral Density

If a sectoral approach differentiates allowable subjects of bargaining based on sectoral density, one key question is how to set thresholds for high-density and low-density sectors, respectively. Depending on the particular type of sectoral approach, these thresholds could simply be set at a fixed percentage of union membership regardless of sector, or they could be drawn differently for each sector. Considerations include:

● For establishing a minimum for “low-density” sectors, what is the minimum density required to ensure that there is no capital flight that would cause jobs and economic production in that industry to be shifted to other geographical areas, whether countries, regions, states, or localities, depending on the level of policymaking involved?

● For establishing a minimum for “high-density” sectors, how much density is necessary to ensure that workers have sufficient power to bargain over a broad set of terms and conditions of employment? (We discuss this further below.)

Given these questions, it is important to engage labor economists, worker organizations, and other stakeholders in deciding where to draw these lines for low- and high-density sectors alike.

Likewise, if any sectoral approach involves sectors with large percentages of workers covered by collective bargaining agreements, it should consider implementing a prevailing wage option where a government agency establishes the basic terms and conditions of employment based on those agreements. In that case, the key question is of course what percentage of need be covered by enterprise-level collective bargaining agreements in order to trigger this option. As with drawing a line between high- and low-density industries, it is equally important to engage labor economists, worker organizations, and other stakeholders in deciding which industries can support prevailing wages.

Either way, it is important to fashion any federal-level prevailing wage options with the nondelegation doctrine in mind, ensuring that the executive agency charged with setting the wages is guided by an intelligible principle cabining its discretion, and that the agency is not simply acting as a rubber stamp for the decisions of private parties. In other words, while the agency should be guided by prevailing wage agreements, the law must establish rules according to which it makes an independent judgment about the right prevailing wage.

Subjects of Bargaining

Any sectoral approach also needs to establish the appropriate subjects of bargaining. As described previously, the Clean Slate report suggests that low-density sectors should have a more limited subset of bargaining subjects, while higher-density sectors can support a much wider set of rights.52 For either, one important (related) question, discussed below, is whether (or which) statutory protections can be traded off in bargaining.

For low-density sectors, the Clean Slate report proposed various options ranging from bedrock employment rights like minimum wages, workplace health and safety, and pay equity, to more commonly bargained subjects like benefits, paid leave, and flexible scheduling, all of which should be implemented with a commitment to gender and race equity.

While any of these would be reasonable to include in low-density sectors, taken together, they present a relatively expansive agenda. A sectoral approach could instead either establish a hard- and-fast set of bargaining subjects, or it could allow parties to choose a subset that is appropriate to the particular situation. For example, for a state-level law incorporating vertical sectoral approaches, it could allow bargaining over wages, some types of benefits, and paid leave. A local law incorporating a horizontal sectoral approach may focus exclusively on workplace health and safety and flexible scheduling, for example, in pandemic response.53 Or it could simply allow parties to choose from all of the terms and conditions outlined above, but it must have guardrails (e.g., minimum scope) to ensure that employers do not bargain over only the most minimal range of subjects.

In high-density sectors, the Clean Slate report suggests an even more expansive set of bargaining subjects, including subjects that transcend the workplace, such as climate change. Sectoral approaches could lay out an expansive series of bargaining subjects for high-density industries, or they could simply leave the subjects of bargaining open-ended and allow the parties to make decisions as appropriate—ideally, in a clear enough manner that courts cannot artificially constrain those subjects. Either way, they should direct parties to prioritize race and gender equity.

Variation

Another key issue is whether sectoral bargaining approaches can allow for variation by occupation or geographical area, and if so, how. For some closely targeted sectoral approaches, this is not relevant. But for a nationwide or statewide sectoral bargaining approach, occupational or regional variation might be appropriate. The authorizing law could expressly provide for such variation (e.g., directing the parties to establish different wages for different occupations delineated by a government agency), determining which approach is especially relevant for low-density sectors, and where capital flight is a key issue. Alternatively, the law could simply authorize the bargaining parties to agree to such variation as they see fit—which would be most appropriate for higher-density sectors. Further, any variation could be bargained by the main parties to a bargaining agreement, or they could designate separate occupational or geographical tables to lead that bargaining. The law itself could designate how particular occupational or regional terms are negotiated, or that decision could be left to the parties to decide.

Derogation

A final question involves whether sectoral approaches might allow the parties to bargain away core labor standards provided elsewhere in the relevant federal, state, or local law, in exchange for other rights; this is often called “derogation.” While core employment laws in the U.S. generally disfavor derogation,54 at least some laws do allow for such waivers in very limited circumstances when workers are subject to collective bargaining agreements.55

The Swedish model underscores the potential power of derogation. Swedish law allows collective bargaining agreements to derogate below certain labor standards, including wage and benefits. Swedish labor unions suggest that the possibility of derogation provides significant room for them to maneuver in negotiations with employers.

Nonetheless, creating incentives for derogation (or even allowing it) is controversial, and for good reasons, especially when workers lack bargaining power or strong information or when derogation can impact others who have less bargaining power.56 But in the context of strong unions—perhaps in high-density industries only—providing for derogation could allow for strong worker organizations to capture more of their highest priorities.

QUESTION 6: WHAT HAPPENS IF THERE IS AN IMPASSE?

At some point during a negotiation over the formation of a union, the negotiation may break down. At that point, the workers must have the right to strike, or else there needs to be a mediation. Other countries with sectoral bargaining regimes provide for such mediation, including Denmark and Sweden (which have public officials dedicated to mediating when the parties cannot reach a national agreement). In South Africa, bargaining council constitutions provide for dispute resolution terms, including the possibility of impasse.

Designing a new sectoral approach that embraces mediation raises two interrelated questions:

1. What triggers the mediation?

The mediation likely needs to be triggered by a formal request, which could be from a majority of panel members on one side (employer or worker), from a supermajority of panel members on one side, or from a supermajority of the panel in its entirety. Alternatively, if existing contracts do expire, mediation could be triggered by a certain interval prior to that expiration.

2. Who conducts the mediation, and who pays?

The mediation could be conducted either by a government agency or by a private mediator. Other countries have government agencies for this, like Denmark’s Statens Forliginstitution and Sweden’s National Mediation Office.57 The government agency, which could be an agency like the Federal Mediation and Conciliation Service (FMCS) in the U.S., would enable free or low-cost mediation services, and this presumably reduces the risk that the incentive to get rehired could affect the mediator’s result. That said, the quality of government mediators obviously depends on the quality of the agency at that time and may be limited in quantity. A private mediator, on the other hand, would provide for a wider selection (even if chosen off an approved list), but this presents its own logistical difficulties (e.g., there needs to be a process for choosing the mediator, and the mediator would need to get paid separately).

Of course, negotiating the first contract is often just as hard as forming a union in the first place. As noted in the initial report, Clean Slate favors the approach taken in the Protecting the Right to Organize (PRO) Act; namely, interest arbitration for first contracts.58 Under the new statute, once a union requested collective bargaining, the employer would have 10 days to commence bargaining. If, after 90 days of bargaining (or for an additional period of time if the parties mutually agreed to such an extension), no agreement is reached, then either party would have the right to request mediation conducted by the FMCS. If the parties did not reach agreement within 30 days of the mediation request, then the dispute would be referred to a tripartite arbitration panel. One member of the panel would be selected by the union, one by the employer, and one neutral member mutually agreed to by both parties. A majority of the panel would be empowered to render a decision, determining the terms of the agreement, which would be binding on the parties for two years, unless amended by mutual agreement. The panel’s decision would be based on the employer’s financial status, the size and type of the employer’s business, the employees’ cost of living, the employees’ ability to sustain themselves and their dependents, and the wages and benefits provided by other employers in the same business.

Similar questions to the ones asked above need to be answered about first-contract arbitration as well, however. First, how does a worker organization trigger first-contract arbitration? Does it require that certain statutory criteria are met, or can it happen at any time? Does it require a formal request from a majority or supermajority of worker panel members?

Second, who constitutes tripartite panel of arbitrators, and who pays for them? They could be chosen from the ranks of an agency like FMCS, which has similar pluses and minuses to using FMCS as a mediator for the initial formation of a union. To the extent that the tripartite panel is chosen from private arbitrators, there might be one chosen by the union, one chosen by the employer, and one mutually agreed upon. Again, private arbitrators would need to be paid separately.

QUESTION 7: HOW AND WHEN SHOULD CONTRACTS GET EXTENDED TO THOSE OTHER THAN THE REPRESENTATIVES OF THE BARGAINING PANELS?

Sectoral bargaining provides a key opportunity for contract extension, or a mechanism by which a contract negotiated by a critical mass of workers and employers in an industry can be extended to all employers and workers through the industry. Generally, this allows non-parties across a sector to benefit from the agreements reached by the parties at the bargaining table.

To be sure, not all countries with sectoral bargaining systems have a formal process for extension to non-parties. In Denmark and Sweden alike, there is no statutory provision for extension, and labor unions report little activism seeking concepts of extension in most industries. But those countries are starting from a place of significant union density and involvement.

Standards for Extension

The Clean Slate report fully embraces contract extension, but it nonetheless recommends a key guardrail: Sectoral agreements may only be extended if the Secretary of Labor determines that it meets certain standards. The key elements of this standard include that the agreement must:

● advance gender and racial equity;

● improve the standard of living for a majority of workers in the sector; and

● provide all workers in the sector with a living wage; an adequate amount of paid sick, family, and vacation time; access to a secure retirement program; and a safe, secure, and healthy workplace.

Not all countries establish searching standards for extension. In Argentina, the Labor Minister may validate an agreement for extension, or erga omnes, simply by determining if it is consistent with law and some broad consideration of the public interest. In practice, this is not a particularly searching inquiry once parties have agreed to the basic terms of a contract.

In South Africa, the Labor Minister has no discretion and must extend an agreement if the parties meet the (numerical) standards for representivity: if more than 50 percent of the employees in the sector are covered by the worker organization that is party to the agreement or are employed by employers that are party to the bargaining council.59 On the other hand, if the parties fail to meet these standards, the Labor Minister may (as a discretionary matter) also extend agreements under three conditions: if they find the parties are “sufficiently representative,” if that failure to extend the agreement would threaten sector-level bargaining, if the council has established an independent body to hear non-party appeals for exemptions to extension, and if the agreement has fair criteria for considering those appeals. In these situations, South Africa has a system for gathering input on the agreements, much as France does for its extension decisions, both of which systems are described further below.

In all, setting a standard has substantive benefits, ensuring that overly weak agreements cannot be inappropriately extended, not to mention empowering worker organizations to demand these minimum standards in sectoral agreements. But setting standards for extension also has benefits in terms of addressing concerns related to the nondelegation doctrine at the federal level, empowering an agency head (e.g., the Secretary of Labor) with clear standards for whether or not to extend.

The Extension Process

For any sectoral approach that allows extension, the law must establish a process for seeking to have agreements extended by, for example, the DOL.60 That raises questions about what should be submitted by the parties, whether and how to seek input on whether the agreement meets the standards for extension, how those decisions could be appealed, and whether and how employers or workers could opt out from extension.

In terms of what to submit, the parties seeking extension clearly must submit the ratified agreement to the decisionmaking agency, along with proof of successful ratification. In addition, they should provide information that helps the agency assess whether the agreement meets any standards required for extension. Under the Clean Slate proposal, the parties would be required to submit evidence that the agreement advances gender and racial equity; improves the standard of living for a majority of workers in the sector; and provides all workers in the sector with a living wage, an adequate amount of paid sick, family, and vacation time, access to a secure retirement program, and a safe, secure, and healthy workplace. This could include quantitative metrics, qualitative analysis, or even testimony of individuals, for example, outlining and assessing the impact of proposals on marginalized groups within an industry.

The agency could further seek input from workers, employers, and other experts to assess more broadly whether the agreement meets the statutory standards for extension. This could provide greater legitimacy in terms of seeking input and potentially in engaging previously unengaged workers, though it does create an opportunity to derail hard-fought victories.

Some other countries have created mechanisms to seek input on extension. In South Africa, in cases where the representivity threshold for automatic extension is not met, the Labor Minister must publish an invitation to comment on proposed agreements in the Government Gazette (like the Federal Register in the U.S.).61 In France, though the process has been used sparingly over the nearly three years since it was created, the Labor Ministry can take a further step to send the agreement to a group of experts for an opinion, beyond what is legal or not, but to assess the economic and social effects of the agreement.62

Agencies could use similar efforts to gather input on whether to extend in this context. They could also use public hearings or informal listening sessions, both of which could allow more voices to be considered. Regardless of the particular format, it is important that the focus of the inquiry remain about compliance with the standard for extension, not general comments on the agreement itself.

Any extension process must include some provisions for interested parties (on either side) to appeal the agency’s decision. Ideally, the agency will create a multi-step process whereby an initial decision may be appealed (or reconsideration may be sought) within an administrative fact-finding process, thereby creating a streamlined administrative record for expedited appeal under existing administrative law (e.g., federal or state administrative procedures acts). If the agency refuses to extend an agreement, it should nonetheless apply to any employers or organizations bound by its ratification. In addition, the law could provide an opportunity for the parties to return to the bargaining table expeditiously to improve the agreement and resubmit it for extension.

Finally, sectoral approaches considering extension should also consider whether to create a system whereby certain employers can seek exemptions. For example, in South Africa, non- parties to the agreement (including small enterprises) may seek an exemption from the Labor Ministry if they can show that they cannot meet the requirements of the agreement extended through the sector.63 Providing a mechanism for exemptions raises substantial opportunities for abuse. At the same time, it could ease the path to enacting sectoral approaches and could even help raise standards for employees of more profitable businesses in a sector by blunting a source of opposition to strong standards.

QUESTION 8: HOW SHOULD CONTRACTS BE ENFORCED?

Any sectoral system needs to establish mechanisms for parties to assert their rights under the agreement. Workers and even employers may have access to different mechanisms depending on whether they are members of worker or employer organizations that are parties to the bargaining agreements, versus those covered only due to extension of the ratified agreement.

Any members of an organization that is a party to the bargaining agreement should have access to any grievance procedures established by that agreement. Workers should clearly be able to bring claims—supported by their worker organizations—against their employers (bound directly or through worker organizations) through this mechanism. These agreements could presumably be written to allow (signatory) employers to bring claims against (signatory) competitors if they are not abiding by the terms of the agreement.

Regardless, sectoral approaches should, whenever possible, also create opportunities for all employees to pursue their claims—whether or not they are members of signatory worker organizations. In South Africa, for example, bargaining councils can enforce claims. Alternatively, workers could be empowered to file their claims both with administrative agencies and in courts of appropriate jurisdiction, if desired, either directly or on appeal from the bargaining council’s decision.

#### Labor law is key. No other policy option can reverse stagnating wages.

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A combination of all of these nonlabor policies would certainly make a big difference in the US economy and would raise incomes and reduce economic inequality. But the limits of each of the policies suggests that they would not be sufficient, even in combination. Though a quantification of this claim is perhaps not possible, the evidence from abroad also supports the claim that even a combination of nonlabor policies would not be adequate. While neither Canada nor Australia nor Britain has completely implemented all of the types of policies described previously, each has a much more robust safety net than the United States and has adopted critical elements of these policies. Economic inequality, particularly in Canada and Australia, is much lower than in the United States. But in all of these countries wages are still stagnant for many workers and economic inequality rising rapidly, as discussed in chapter 4.

Put bluntly, alternative policies to raise wages for workers do not really obviate the need for labor unions. Rather, unions minimize the weaknesses of these alternatives and help them work better. Moreover, workers engaged in the collective bargaining process gain agency and organization that can provide the support necessary for these policies to be enacted. Indeed, strong labor unions providing political muscle and organizing public support are almost certainly necessary to sustain (over any length of time) policies promoting full employment, a higher minimum wage, robust training, and a more generous safety net. A sudden surge of political activity could compel politicians to enact some of these policies, but power of strong worker organizations is needed to ensure that a broad set of pro-worker policies are enacted, properly implemented, funded, and enforced.